

THE IMPLICATIONS OF AFGHANISTAN'S 2014 SECURITY TRANSITION

Deteriorating welfare, declining employment

February 2019

Topic: Poverty, Jobs, Security

What were the welfare and labor market implications of the security transition?

The overall macro-economic and security context in the country since 2007 can be broken into two distinct phases, pre- and post- the 2014 security transition, when security responsibilities were transferred from international troops to the Afghan National Security Forces (ANSF). The pre-transition phase was characterized by higher economic growth and a relatively stable security situation as well as remarkable progress on expanding access to health and education services, albeit from a very low base. The post-transition phase was characterized by a contraction in international assistance and in economic activity and accompanied by a significant deterioration in the security situation.

This note assesses the welfare and labor market implications of the security transition for the Afghan population. It finds that (i) Economic growth during the pre-transition phase, while high, translated into welfare gains only for the richest 20 percent of the population, who benefited from greater salaried employment opportunities; (ii) As growth declined after the transition, poverty increased sharply to 54.5 percent, and there was a significant reduction in the quality and quantity of jobs. Since the transition, the only sector creating substantial numbers of salaried jobs in Afghanistan are jobs related to security services.

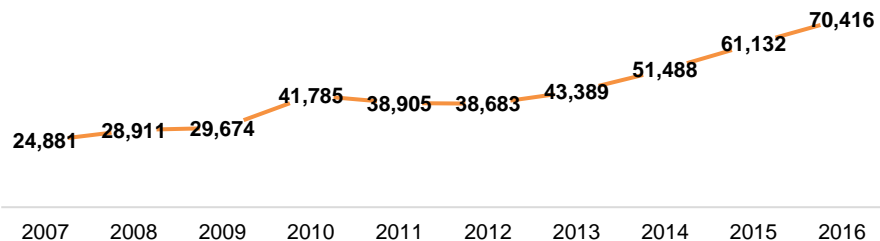
Afghanistan experienced a decade of declining welfare from 2007 to 2016, with an accelerated fall after 2012, as economic and security conditions worsened

Afghanistan's growth trajectory has been repeatedly disrupted over the past four decades, most recently with the 2014 security transition

For four decades, the people of Afghanistan have lived, to varying degrees, through foreign intervention, civil war, insurgency and widespread insecurity. Economic growth has been repeatedly and severely disrupted through this period, and Afghanistan's development challenges remain daunting. The past decade has been characterized by remarkable progress in Afghanistan, as well as reversals and lost opportunities. The overall macro-economic and security context in the country since 2007 can be broken into two distinct phases, pre- and post- the 2014 security transition, when security responsibilities were transferred from international troops to the Afghan National Security Forces (ANSF). The pre-transition phase was characterized by higher economic growth and a relatively stable security situation but was a lost opportunity for poverty reduction as growth did not widely benefit the less well-off. Since then, economic growth has slowed down, the security situation has deteriorated, and the welfare of Afghans has declined sharply.

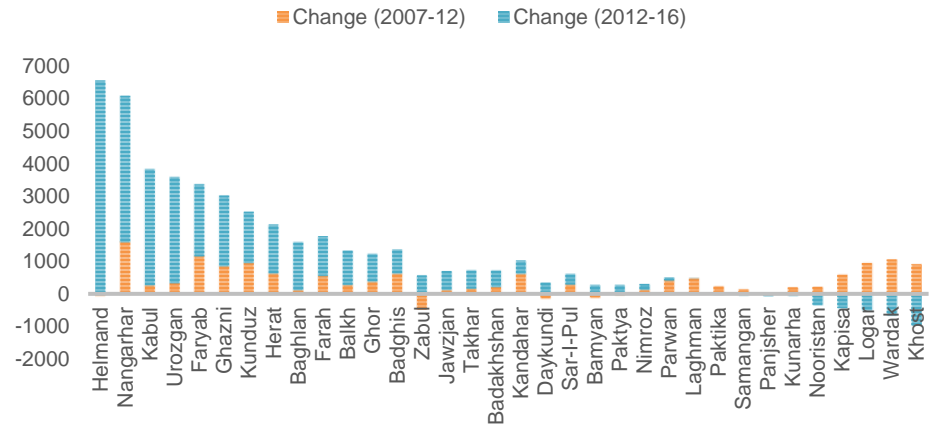
The security transition was accompanied by an increase in violence: since 2012, the number of injuries and deaths due to ongoing violence increased sharply, from 38,600 to 70,000 affected (Figure 1). This uptick was widespread, and provinces affected by violence experienced a much larger increase in casualties and injuries in the post-transition period (Figure 2). These deteriorating security conditions and the accompanying economic slowdown in the post-transition phase are also reflected in perceptions about security and the economic situation, which have been steadily deteriorating (Figure 3).

Figure 1: Estimated injuries and deaths due to violent incidents, 2007-16



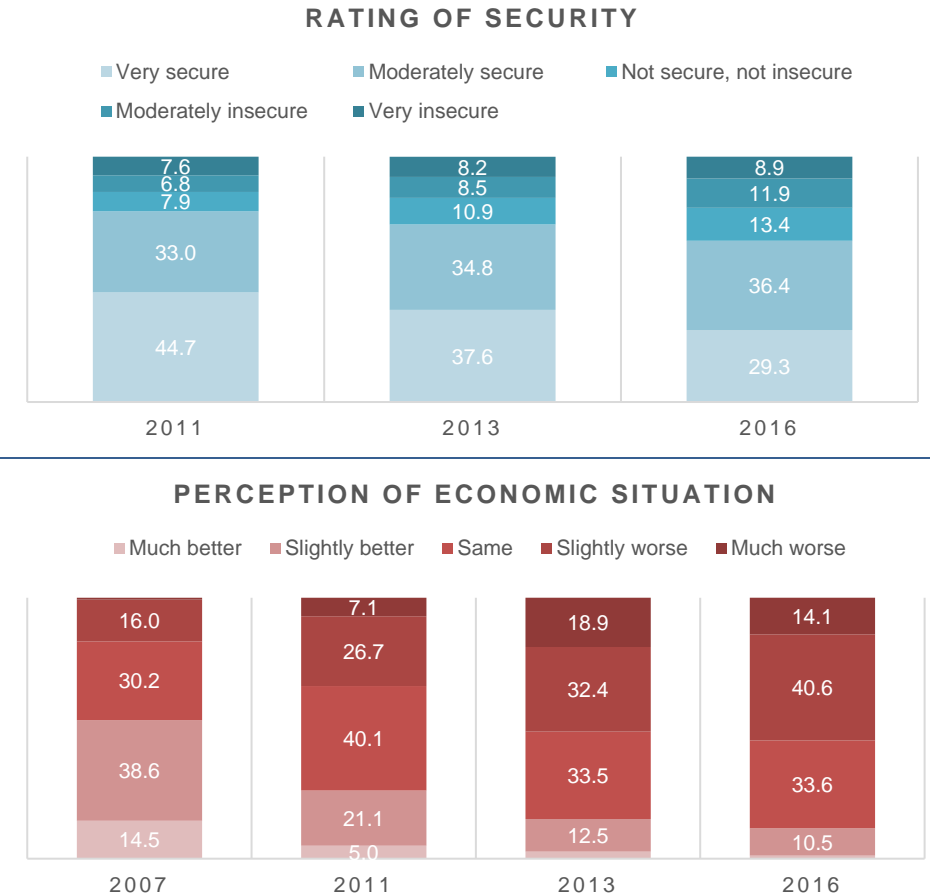
Sources and notes: World Bank staff estimates based on UN

Figure 2: Changes in casualties and injuries, before and after the security transition, by province



Sources and notes: World Bank staff estimates based on UN

Figure 3: Perceptions of security and of the economic situation deteriorated



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, NRVA 2011-12, ALCS 2013-14 and ALCS 2016-17. Perceptions from male respondents.

The last decade has not translated into welfare gains for the Afghan population, and one in two

Afghanistan experienced a substantial increase in poverty between 2007 and 2016, reflecting the decade-long trend of increasing violence. However, trends through the period were not

Afghans now lives below the poverty line

uniform (Table 1).¹ From 2007-08 to 2011-12, the national poverty rate increased comparatively gradually, from 34 to 38 percent. In contrast, between 2011-12 and 2016-17, the rate surged to 55 percent. By 2016-17, almost 16 million Afghans lived below the poverty line, 5 million more than in 2011-12. Rural poverty remains consistently higher than urban poverty in Afghanistan, and the bulk of the poor—82 percent—continue to live in rural areas. However, since 2011, the deterioration in welfare has become widespread throughout all parts of the country. Higher poverty in the 2007-11 period was driven by an increase in rural poverty, with a moderate decline in urban poverty. Between 2011 and 2016, both urban and rural poverty rates rose substantially.

Table 1: Trends in poverty, 2007-2016

Indicator	2007-08	2011-12	2016-17
Poverty rate	33.7%	38.3%	54.5%
Urban poverty rate	25.7%	24.6%	41.6%
Rural poverty rate	35.7%	42.3%	58.5%

Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

Even during the boom period, four-fifths of population did not reap welfare gains from growth

The growth process in Afghanistan has so far not been inclusive. Over the past decade, the welfare of the bottom 80 percent of the Afghan population has been in steady decline.

Relatively wealthier households tend to reap or lose more welfare gains from periods of economic boom and bust, and Afghanistan is no exception. The extent to which growth translates into broader welfare gains depends to a large part on the nature of growth (whether it generates jobs and incomes for a substantial part of the population) or if the gains from growth are redistributed in an equitable manner (through progressive taxes and pro-poor transfers, or investments in health, education and connective infrastructure for instance). In this respect, the growth process in Afghanistan has so far left the bulk of the population behind.

The welfare of the bottom 80 percent of the Afghan population was relatively unresponsive to trends in economic growth over the past decade, with real per capita expenditures in steady decline over the last decade. Figure 4 plots average per capita expenditures by quintile,² in 2016-17 prices. During the period of high economic growth from 2007 to 2011, only the top 20 percent of the expenditure distribution experienced real gains in welfare. Average per capita expenditures increased slightly (by 3 percent) during this period, driven by the welfare improvement among the well-off. Among the poorest 20 percent, expenditures fell by 10 percent, and by 6 percent on average among the bottom four-fifths of the distribution. During the subsequent period of slow growth, from 2011 to 2016, per capita expenditures fell in every quintile, and the richest 20 percent experienced the largest real declines in welfare. On average, per capita expenditure fell by 18 percent across the distribution between 2011-12 and 2016-17 and fell by 11 percent among the poorest 20 percent of people.

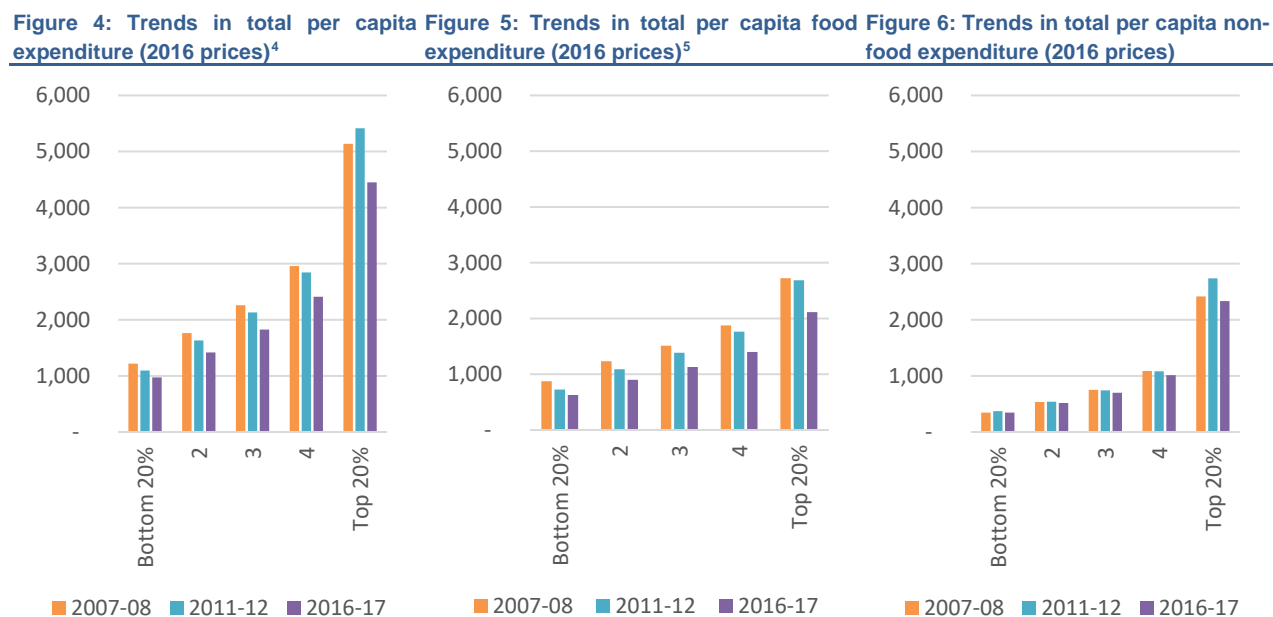
¹ These trends take into account methodological improvements, with welfare aggregates defined consistently over time, and therefore differ from previously released estimates. Poverty headcount rates measure the share of the population whose monthly per capita expenditure falls below the poverty line of 2,056 AFN (2016 prices) per month. For further details on methodological updates, please refer to: <http://documents.worldbank.org/curated/en/438751533873930948/Afghanistan-Trends-in-poverty-and-inequality-2007-17> or <http://documents.worldbank.org/curated/en/665241533556485812/Afghanistan-Poverty-Measurement-Methodology-Using-ALCS-2016-17>.

	2007-08	2011-12	2013-14*	2016-17
Old series, excluding Helmand and Khost	36.3	35.8	39.1	
Revised series, all provinces	33.7	38.3		54.5

Source: National Statistics and Information Authority (NSIA), World Bank staff estimates based on National Risk and Vulnerability Assessment (NRVA) 2007-08, 2011-12 and Afghanistan Living Conditions Survey (ALCS) 2016-17; *Imputation estimates

² The expenditure distribution is divided into five equally sized groups, sorted in ascending order of per capita expenditures.

In both periods, poverty trends were largely explained by trends in per capita food expenditures (Figure 5). The fall in non-food expenditures was more muted, except among the top 20 percent of the distribution (Figure 6). During the period of high growth, the improvements in welfare were driven by real increases in non-food expenditures among the richest fifth, while in the following period, both food and non-food expenditures fell for this group.³



Sources and notes: chart-notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

The security transition has been accompanied by an intensification of poverty and a compression in living standards between the rich and the poor

While poverty has intensified since 2012, inequality has declined as the transition was accompanied by a large welfare loss among the most well-off.

While the depth of poverty in Afghanistan increased between 2011-12 and 2016-17 (Figure 7), inequality declined over the same period (Figure 8). This decline in inequality should be interpreted with caution as it reflects the fact that the recent welfare loss among the top of the distribution has been relatively larger than that at the bottom of the distribution (albeit from very different baseline levels), rather than a benign or pro-poor redistribution.

Throughout the past decade, welfare conditions have continued to worsen for the most economically vulnerable Afghans. As Figure 7 shows, the intensity of poverty has doubled nationally since 2007. This trend has affected both urban and rural areas.⁶ The 2016-17 poverty gap index reveals that the poor consume at a level equal to 73 percent of the poverty line, or in other words have a consumption shortfall equal to 27 percent of the value of the poverty line.⁷ Thus, the recent reduction in expenditure inequality could be misleading, as it reflects overall degradation in welfare both of the poor and the rich, with faster deterioration in welfare conditions among the well-off. Figure 8 plots the trends in expenditure inequality as

³Food shares are decreasing over time but remain relatively high at 56 percent in 2016-17. Decreasing food shares are not a result of improvement in living standards—we typically observe decreasing food shares as a result of improving development outcomes as households spend less on food as a percentage of total expenditure—but rather a result of an overall reduction in food and non-food expenditures with a larger reduction of food expenditures. These decreases in expenditures on food stem from a decrease in consumed quantities on food while prices remained relatively stable across the period.

⁴ Implicit inflation adjustment based on total poverty line

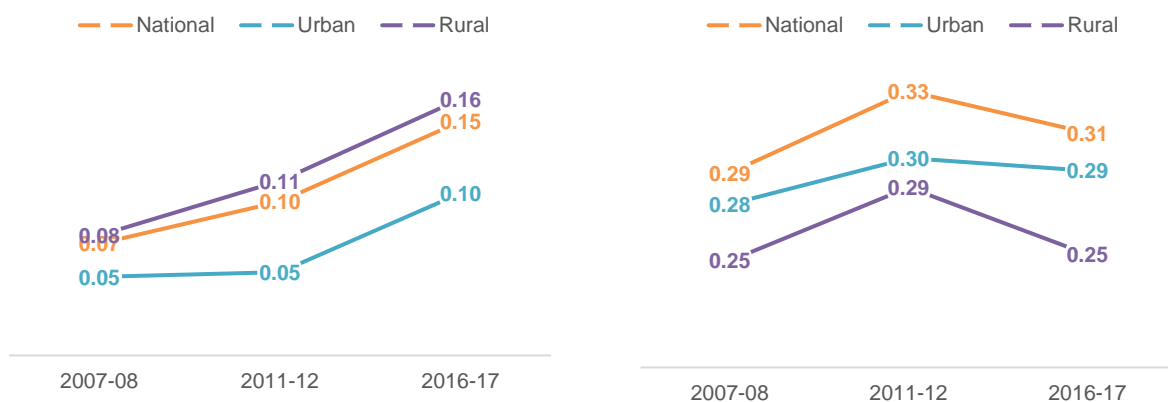
⁵ Implicit inflation adjustment based on total poverty line

⁶ The poverty gap index measures the extent of poverty as the average distance between the per capita expenditure levels of the population and the poverty line, assuming the non-poor have a zero shortfall, and is expressed as a proportion of the poverty line.

⁷ On average, by 2016-17, the gap between per capita expenditures and the poverty line was 0.15 times the poverty line.

measured by the Gini coefficient.⁸ The welfare decline experienced across the distribution is reflected here as a decline in the Gini index in 2016-17 relative to 2011-12. This trend was driven by the reduction in rural inequality.

Figure 7: Trends in the depth of poverty (poverty gap index) **Figure 8: Trends in expenditure inequality (Gini coefficient)**



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

Inequality plays an important role in poverty reduction. If inequality increases alongside economic growth, progress in poverty reduction may slow further as was observed during the period of 2007 to 2011. However, if inequality were somehow to fall alongside economic growth in coming years, particularly inequality associated with the relative position of the poor in the income distribution, poverty could decline. If the incomes of the bottom segments can be boosted alongside overall economic growth, the prospects for reducing poverty are much enhanced.⁹ Consequently, poverty reduction can take place without growth in average per capita expenditures, if it is accompanied by relatively higher growth in the expenditures of the poor (a purely distributional effect). Alternatively, if each individual's per capita consumption grows at the same rate, leaving the distribution unchanged, then any change in poverty stems solely from the growth effect.

Inequality influences the nature and direction of changes in poverty. In the pre-transition phase, poverty increased because average consumption growth was offset by unfavorable distributional changes. In the post-transition phase, the increase in poverty was driven by declining expenditure across the distribution.

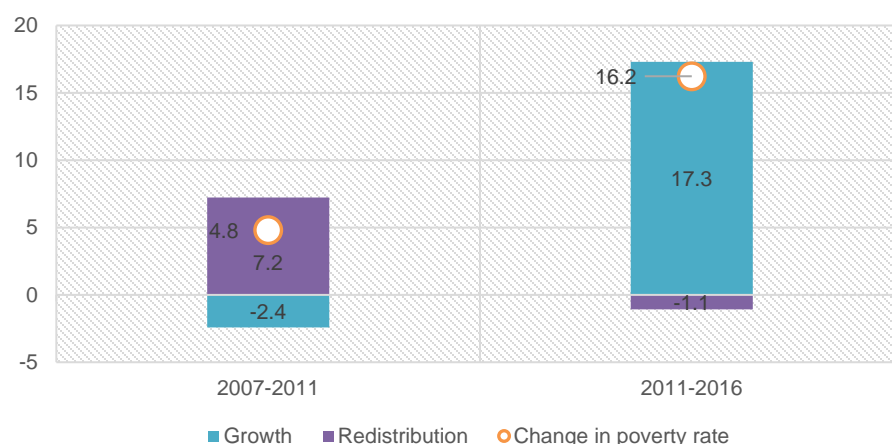
Afghanistan's growth-inequality decomposition for the period 2007-08 to 2011-12 shows that poverty rose by 4.8 percentage points during these years. Two opposing forces drove the trend. On the one hand, strong economic growth resulted in an increase in per capita consumption. Without distributional changes, poverty in 2011 would have decreased by 2.4 percentage points compared to 2007. However, the positive growth effect was offset by unfavorable distributional effects, which benefited the rich compared to the poor and increased poverty (Figure 9).

Between 2011-12 and 2016-17, in contrast, the overall increase in poverty was 16.2 percentage points. This increase was almost entirely due to meagre growth in per capita expenditures across the distribution. In fact, had there been no (favorable) change in the distribution of expenditures in 2016-17 relative to 2011-12, national poverty rates would have seen an even larger increase (17.3 percentage points). The redistribution effect was able to slightly mitigate the rise in poverty following the security transition, as poorer households fared slightly less badly than richer households in 2016 compared to 2011. However, all Afghans lost economic ground during this period.

⁸ The Gini index measures the extent to which the distribution of consumption among individuals or households differs from a perfectly equal distribution. A value of 0 represents absolute equality, with everybody consuming the same amount, a value of 1 absolute inequality, where all consumption is concentrated in one person.

⁹ World Bank. 2015. A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals. Policy Research Report. Washington, DC: World Bank.

Figure 9: Growth-inequality decomposition of change in poverty rates from 2007-08 to 2011-12 and from 2011-12 to 2016-17



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

Afghanistan's growth process has not been inclusive so far

The sharp increase in poverty since the transition is consistent with the decline in GDP per capita during this period.

These welfare trends of increasing poverty and a compression in living standards are consistent with the large contraction in per capita GDP the country has experienced since 2012. The period from 2007 to 2011 had been characterized by a large increase in Afghanistan's GDP per capita (which grew 63 percent relative to its 2007 value). From 2012 to 2016, however, GDP per capita fell. During the former period, growth was primarily driven by services and characterized by highly volatile agricultural growth (Figure 11). During the latter period, services were the only driver of growth, with other sectors of the economy essentially at a standstill. From 2012 to 2016, the country's overall growth rate slowed to 1 percent per annum.

The deceleration in growth was accompanied by the further erosion of an already narrow economic base, reliant on services sector growth.

This sharp deceleration in growth can be attributed to the combined effects of Afghanistan's security transition. The 2012 drawdown of international military forces was associated with a sharp fall in international spending and security and civilian aid, and subsequently with increasing conflict and political instability. Subsequently, Afghanistan's economic base further narrowed, with growth in the services sector slowing down, and the agricultural sector, the only potential source of broad-based economic gains for the population, remaining essentially stagnant. Economic development is often equated with average growth in GDP per capita and countries with high growth rates are deemed to be successful, while countries with low or negative growth rates are considered to be falling behind¹⁰. However, this concept of development provides little insight into who may or may not be benefiting from growth as illustrated through the relationship between welfare and GDP growth rates in Afghanistan. During the last decade, on average, each percent increase in growth has been matched by an equal percent increase in poverty.

Services-led growth in the pre-transition phase was not pro-poor, while agriculture experienced high volatility, leading to an increase in rural poverty.

Afghanistan's services-led economic growth between 2007 and 2011 was not pro-poor: rural poverty worsened despite the strong overall growth and the period until 2014 was characterized by a high degree of vulnerability of the population. The economy expanded by an average 10.6 percent during the 2007 to 2011 period. The double-digit growth was largely driven by a 16 percent growth in services while agricultural growth experienced severe volatility, with negative growth in 2008, 2010, and 2011 (Figure 10). Moderate improvement in urban poverty conditions and a significant increase in rural poverty rate during this period reflected the services-driven growth, with services taking up over a half of urban jobs and agriculture over 40 percent of rural jobs. In fact, for every 1 percent increase in GDP per capita during that period, poverty increased by 0.2 percent.

The economic model built on aid and a strong security sector spending did not create ample opportunities for large segments of society. Previous poverty status updates have documented

¹⁰ World Bank. 2015. A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals. Policy Research Report. Washington, DC: World Bank.

the limited and skewed welfare gains of aid-driven, services led growth during the 2007 to 2011 period. GDP growth was driven by the increase in capital from international aid, while growth in private consumption – that is, growth in the value of all goods and services consumed by Afghan households – was marginal. International military and civilian assistance boosted growth and created services sector jobs, but only 20 percent of these were formal. At the same time, this growth process did not contribute to increasing agricultural productivity, so that the poor remained dependent on agriculture or shifted from vulnerable employment in agriculture to vulnerable employment in services.¹¹

After the transition, for each percent decline in GDP per capita, poverty increased by 6.5 percent.

The subsequent period in 2012 to 2016 signified the importance of maintaining sufficient economic growth vis-à-vis population growth (or maintaining growth in GDP per capita). Economic growth sharply slowed following the drawdown of international security forces in 2011 and a contested political transition in 2014. GDP growth dropped to an average 1.9 percent in 2015-16 and only marginally recovered to 2.7 percent in 2017. Services growth plummeted to 2 percent in 2016 and agriculture recorded a contraction in 2013-15, causing significant deterioration in poverty conditions in both the urban and rural areas from 2012 to 2016 period. With economic growth falling below population growth, GDP per capita declined by 11 percent in 2012-16 after recording a 63 percent increase in 2007-11. Between 2012 and 2016, each 1 percent decline in GDP per capita was accompanied by a 6.5 percent increase in poverty (Figure 11).

Figure 10: Contribution to GDP growth, by sector, 2007-16

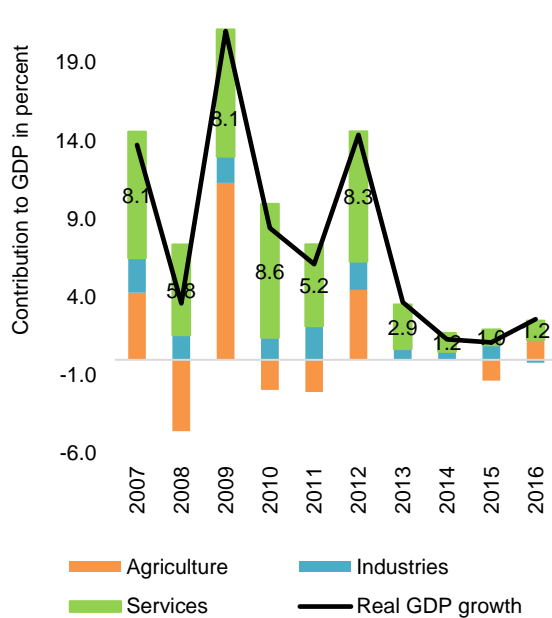
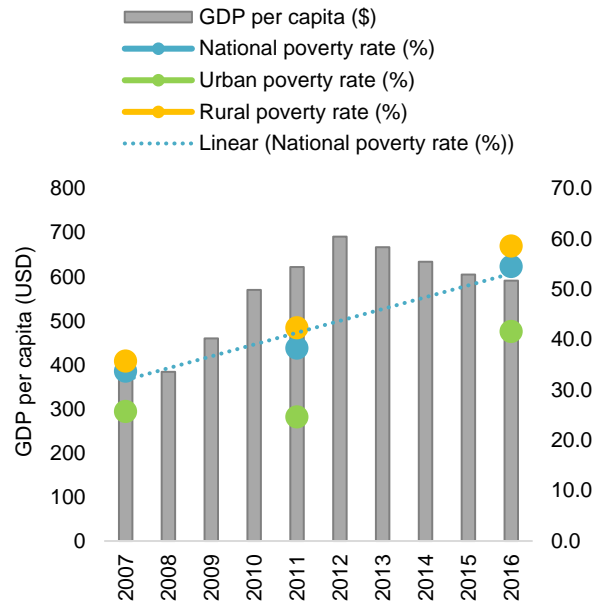


Figure 11: Trends in poverty and GDP per capita, 2007-16



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

Adult men gained jobs with economic growth but lost economic opportunities after the security transition

Adult males, who have the strongest attachment to

These changes in the pace and pattern of economic growth are largely reflected in the labor market outcomes for adult men.¹² In Afghanistan, adult or prime-age men (aged 25-50 years)

¹¹ Ministry of Economy Islamic Republic of Afghanistan. 2015. *Afghanistan - Poverty status update (Vol. 2): An analysis based on national risk and vulnerability assessment (NRVA) 2007-08 and 2011-12 (English)*. Washington, D.C.: World Bank Group.

<http://documents.worldbank.org/curated/en/594051468180880731/An-analysis-based-on-national-risk-and-vulnerability-assessment-NRVA-2007-08-and-2011-12>

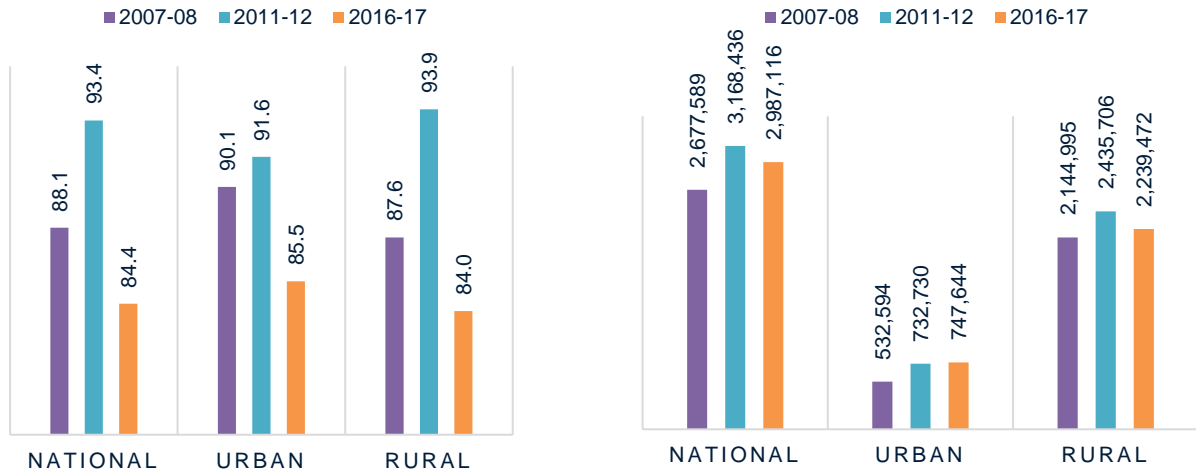
¹² Changes in survey questionnaires between survey rounds complicate analysis of labor market trends in Afghanistan. The main differences across the survey years relate to (i) the recall period to collect information on labor market status and (ii) the number and precision of screening questions on employment which results in a severe underestimation of labor force participation of categories with

the labor market, experienced increases in employment during the high growth, pre-transition phase. After 2014, this group experienced job losses.

have the strongest attachment to the labor market, with the highest rates of labor force participation (97 percent in 2016-17, compared to the population-wide average of 54 percent) and the highest employment-to-population ratios (84 percent in 2016-17, relative to the population-wide average of 41 percent). Adult men make up 46 percent of the employed.

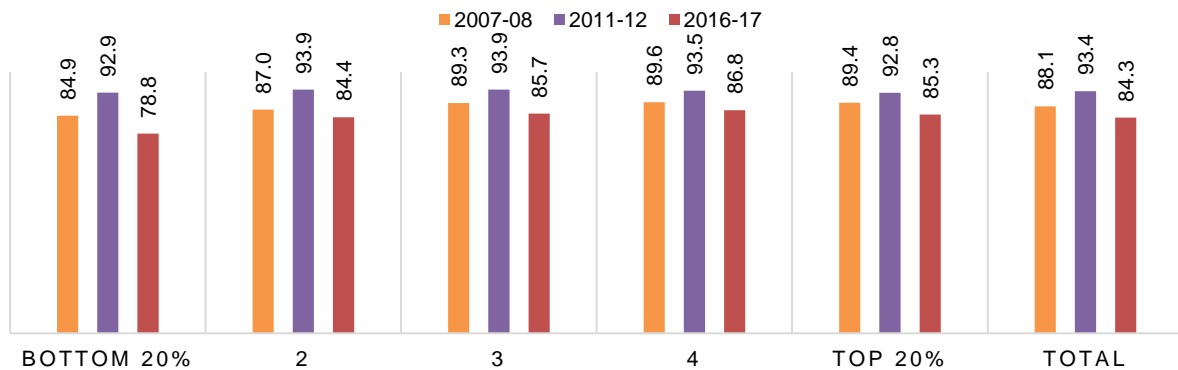
Indeed, economic growth between 2007 and 2012 increased employment among adult males, but the security transition led to a deterioration in their labor market outcomes. Between 2007-08 and 2011-12, the share of adult men employed increased from 88 to 93 percent. However, this share has since fallen to below 2007 levels (Figure 12). This deterioration in employment rates stems from a decrease in the absolute number of adult males employed. Roughly 500,000 additional prime-age men were employed in 2011 relative to 2007, while over 180,000 jobs were lost from 2011-12 to 2016-17 for this group, driven by employment losses in rural areas (Figure 13). These declines in the overall employment-to-population ratio of prime-age males were experienced across the distribution, for each consumption quintile. However, the poorest 20 percent of the population experienced the largest decline in employment for adult males in 2016-17, a fall of 14 percentage points relative to 2011-12 and of 6 percentage points compared to 2007-08 (Figure 14).

Figure 12: Employment-to-population ratio, males aged 25-50 Figure 13: Number employed, males aged 25-50



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

Figure 14: Employment-to-population ratio for males aged 25-50, by consumption quintile



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

weaker labor market attachment, notably youth, elderly and women. As a result of these changes, the analysis of labor market trends is severely limited and can be meaningfully extended solely to the male-adult population (aged between 25 and 50 years); that is, the segment of population with the strongest labor market participation.

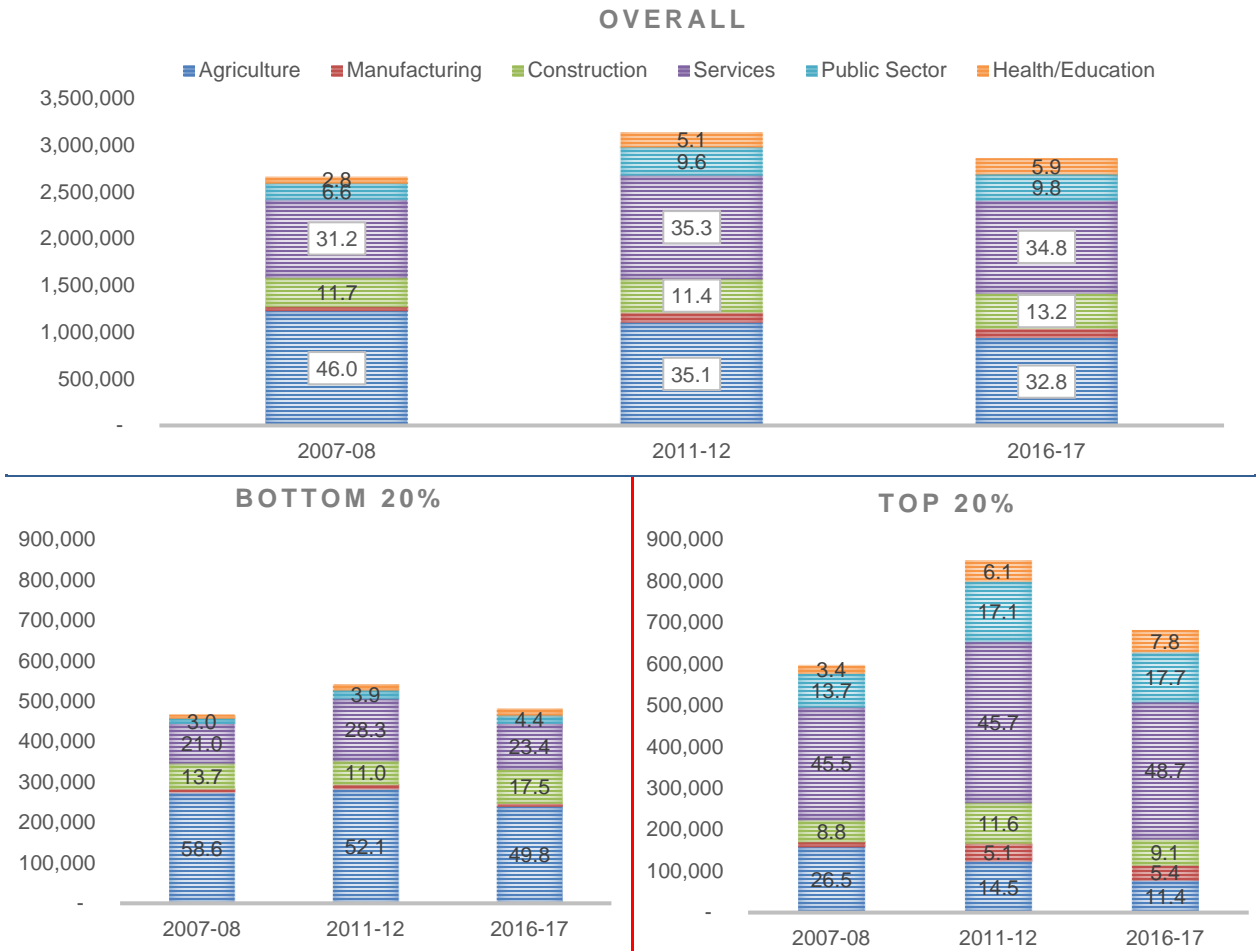
While jobs in agriculture declined throughout the decade, services-sector jobs followed the rise and fall in economic growth

Employment in agriculture, which accounts for a third of all employment for adult males, has been declining over the last decade. The services sector has been steadily gaining importance as a source of employment, especially for the better-off.

Agriculture remains the single largest employer for adult males in Afghanistan. However, agricultural employment fell in absolute terms over the decade, and its share of the job market declined sharply between 2007 and 2011, continuing to fall in 2016. This decline in the share of agricultural employment was experienced across the distribution (Figure 15). Since 2011, the continued decline in agricultural employment among adult males has been accompanied by a shift towards construction, especially evident for the bottom 20 percent of the population. Nonetheless, agriculture continues to account for around half of all jobs for the bottom 20 percent of the welfare distribution, and a third of employment overall.

Another overall trend was the expansion in the share of service-sector jobs for adult males. Between 2007 and 2011, the share of jobs in services, public sector, and health and education grew from 41 percent to 51 percent, with 361,000 additional jobs for adult males. This expansion was also experienced across the distribution. While the share of service-sector jobs in total employment for prime-age men remained steady between 2011 and 2016, this share masks a decline in the absolute number of service jobs during this period.¹³ Services continue to be the predominant employment sector for the better-off.

Figure 15: Trends in sector-wise employment rates and employment, males aged 25-50



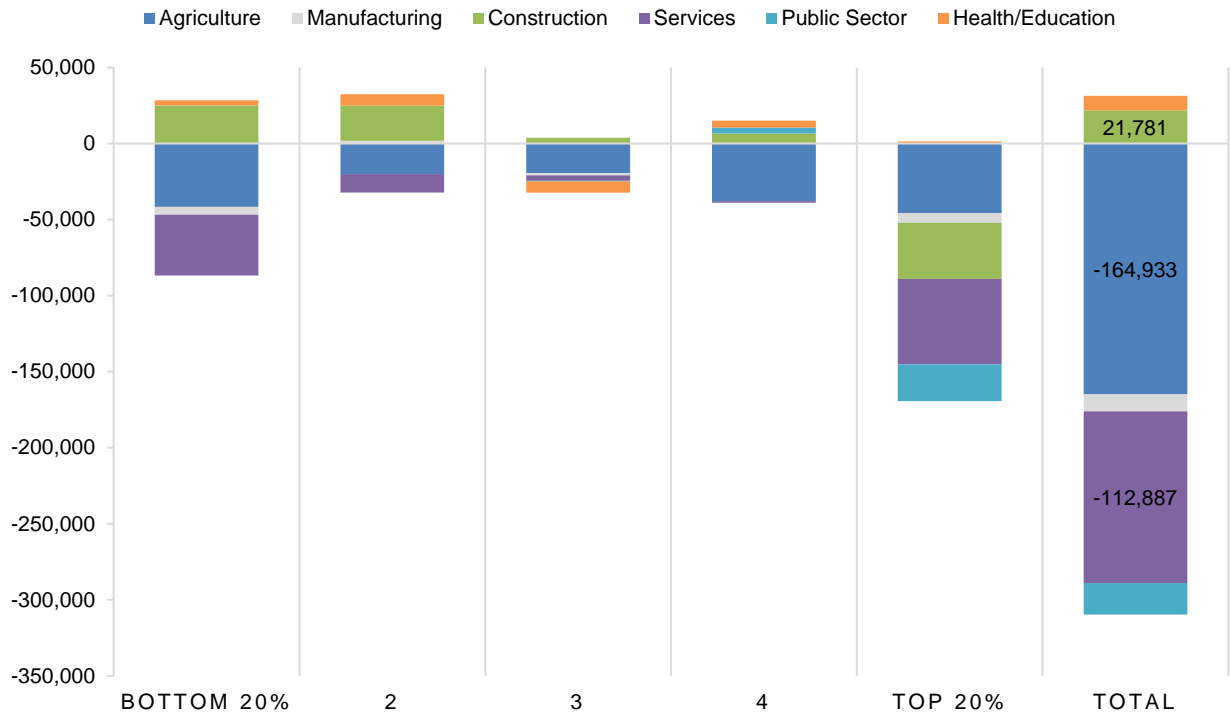
Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

¹³ While beyond the scope of this note, this pattern of declining employment in services accompanied by positive contributions of the sector to GDP growth could indicate an increase in productivity (or changes in the composition) in service sector jobs especially. These relationships could be further investigated when the revised GDP series is made available, which should significantly improve the quality of GDP estimates.

Both agriculture and services registered job losses in the post-transition period, leading to a fall in employment rates for adult males across the distribution.

Irrespective of compositional shifts, the two largest sectors of the Afghan economy, agriculture and services, both registered large declines in the number of jobs between 2011 and 2016 (Figure 16). Across the distribution, jobs in agriculture for adult males fell between 2011-12 and 2016-17, and this cohort as a whole lost access to 165,000 agricultural jobs. 113,000 service jobs were lost during this period, with the poorest 20 percent and the richest 20 percent accounting for almost all these losses. All in all, almost 280,000 jobs were lost for this cohort of adult men over the period. These trends of net job loss were experienced across the distribution and explain the falling employment-to-population ratios for adult males between 2011 and 2016. The declines in employment rates were steepest for the less well-off, who have larger family sizes and consequently account for a larger number of new labor-market entrants each year.

Figure 16: Changes in number of jobs by sector and quintile, 2016/17 relative to 2011/12



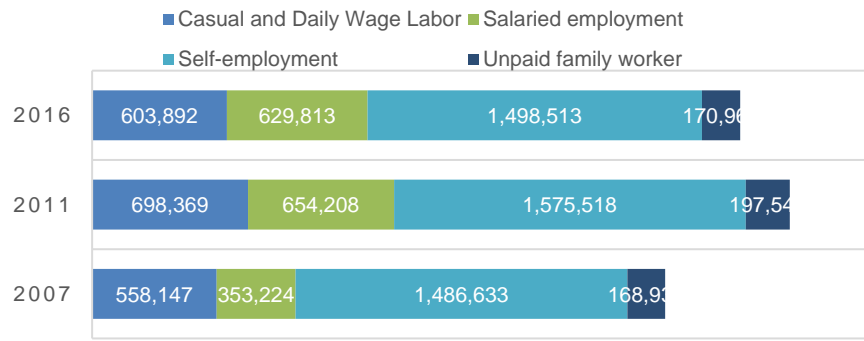
Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

The economy added quality, salaried jobs from 2007 to 2011, primarily to the benefit of the richest 20 percent. Since 2011, the number of salaried jobs has declined sharply, with the better-off hardest hit

While salaried employment grew in the pre-transition phase, the bulk of employment remains informal and insecure. Since the transition, job growth has fallen across all job types.

How were these trends in employment and its sector-wise composition related to measures of job quality? In the absence of wage and labor income data, job quality is proxied by the type of job. Even for adult males, only one-fifth of employment was in salaried work in the public or private sectors in 2016-17; the bulk of employment continues to be vulnerable – as daily wage labor, in own-account or self-employment, and as unpaid family labor. Between 2007 and 2011, there was a large growth in salaried jobs, from 353,000 to 654,000, an increase of 85 percent (Figure 17). Other job types also grew, to a lesser extent. Since then, employment growth in every category has been negative. The share of salaried employment remained stagnant between 2011 and 2016.

Figure 17: Trends in job types, 2007-16, males aged 25-50



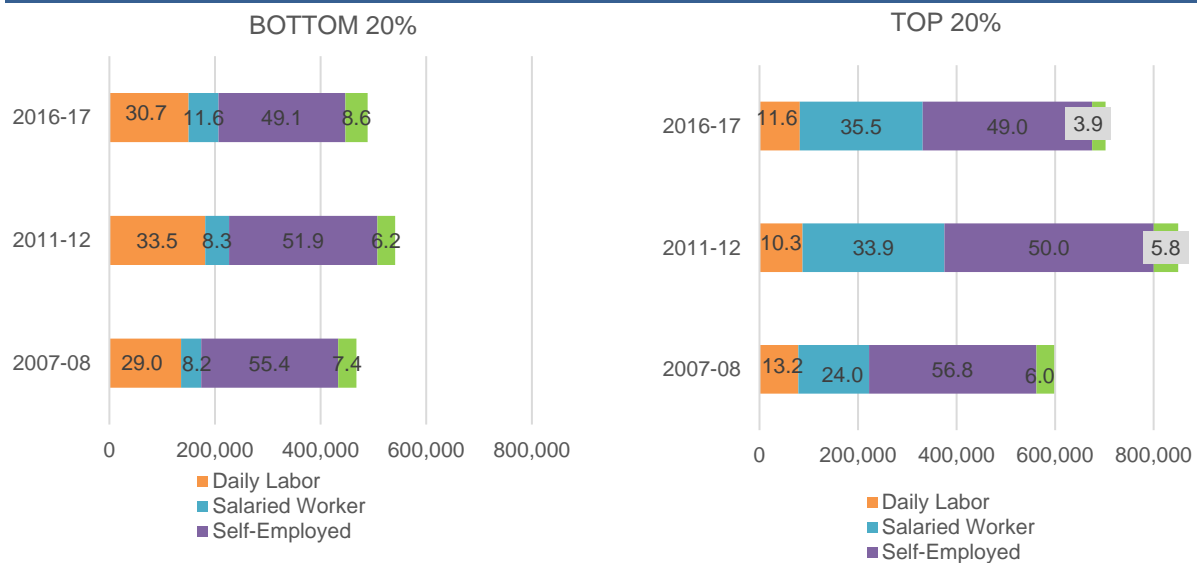
Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

During the pre-transition growth phase, all except the poorest 20 percent adult males benefited from increased jobs, including salaried work. Subsequently, the employment fell for all, with the poorest and richest 20 percent being worst-hit

Among the poorest 20 percent of the welfare distribution, almost 90 percent of employment remains in vulnerable employment, with some compositional shifts within categories. Among the richest 20 percent, 35 percent had access to salaried work in 2016 (Figure 18). The expansion in salaried jobs during the period of high economic growth between 2007 and 2011 is reflected in this group's expanded access to salaried employment. This access has since stagnated.

The two periods, from 2007 to 2011 and from 2011 to 2016, offer a marked contrast in terms of changes in the types of jobs that employed adult males across the welfare distribution. During the first period, the number of jobs for adult males increased across all quintiles, and especially among the top 20 percent, who accounted for more than half of the additional jobs created (Figure 19). Moreover, salaried employment accounted for 60 percent of all additional jobs for adult males in this period, and 58 percent of additional jobs for adult males in the top 20 percent of the welfare distribution. Only the poorest 20 percent were left out, relying on increases in daily wage and self-employment. In the second period, in contrast, the number of jobs in the economy declined sharply, with the brunt of the decline borne by the two end-segments of the distribution: the poorest and the most well-off. Of the total decline in salaried employment, the top 20 percent were by far the worst hit, also losing access to self-employment.

Figure 18: Trends in job types by welfare quintiles, males aged 25-50



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17. Data labels refer to percentage of total employment in each sector. Axis labels and height of bars refer to the number of jobs.

Figure 19: Changes in types of jobs (number), by welfare quintiles, males aged 25-50; 2007-11 and 2011-16

Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

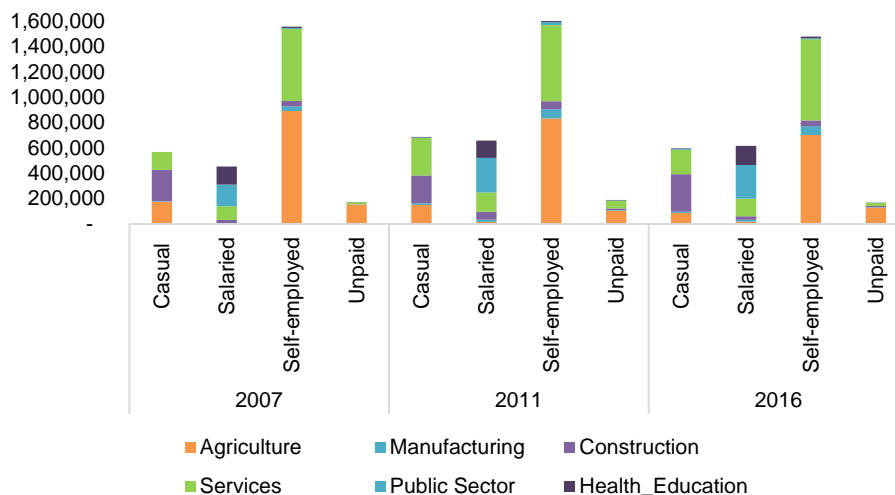
As of 2012, the security sector is Afghanistan's primary source of new, salaried jobs

The labor market continues to be dominated by self-employment and own-account workers. Since the security transition, security-sector related jobs have been the only source of salaried employment growth

A further disaggregation of trends in job types by the main income source reported by the household confirms the deterioration in job quality since 2012 and reveals that the only source of growth in salaried employment was through security-sector related jobs. Overall, the labor market is dominated by self-employment and own-account workers (Figure 20). In 2016, self-employment accounted for half of all employment. These types of jobs primarily involve retail sales and transportation activities, along with self-employment in farming and livestock activities. While the latter have been falling over time, self-employment in petty trading activities has been increasing steadily. These compositional shifts could reflect the inability of the agricultural sector to generate incomes. The casual work and daily labor category, which is the second largest, is dominated by non-agricultural labor, primarily in construction and services. This type of activity drove the increase in employment under this category between 2007 and 2011. Casual daily labor in agriculture has been steadily falling over the last decade. Unpaid work comprises mostly of family labor in agriculture and livestock along with some petty trading and sales activities, the latter growing between 2007 and 2011 and falling thereafter.

Finally, salaried employment in the public and private sectors, which witnessed the largest increase during the boom period, remains dominated by health, education, and general government services, which account for roughly half of all jobs in this category. The growth of salaried employment between 2007 and 2011 encompassed two types of jobs: on the one hand, social and government-services jobs and, on the other, jobs related to the security sector. Since 2012, security-related jobs have been the only source of growth in salaried employment (Figure 21).

Figure 20: Trends in job types by main income source, 2007-2016, adult males



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

Figure 21: Salaried employment by main income source, 2007-2016, adult males



Sources and notes: NSIA, World Bank staff estimates based on NRVA 2007-08, 2011-12 and ALCS 2016-17

Conclusion

The security transition that began in 2012 has spelled a decline in welfare and labor-market opportunities for the people of Afghanistan. Prior to 2012, conditions had already been challenging for many Afghans. The country's poverty rates increased from 2007 to 2012, despite robust economic growth. This is because growth was based on an externally fueled, narrow economic base. The salaried jobs in the services sector created during the period primarily benefited Afghans who were already relatively well-off. Subsequently, under the sustained economic contraction and instability that have followed the drawdown of international forces in 2012, both the quantity and quality of jobs have declined sharply across the expenditure distribution. With the agricultural sector essentially stagnant over a decade, and declining employment in both services and agriculture, and Afghanistan's national poverty rates have surged. The one economic domain currently registering meaningful growth in job creation is the security sector, today the country's main source of new salaried jobs, yet it is hardly a source of comfort. While it is difficult to pin down the role of the deteriorating security situation on welfare, there is no doubt that increasing violence and insecurity have contributed to dampening economic growth, and directly affected livelihoods and income earning opportunities for many Afghans.