

# YOUTH UNEMPLOYMENT IN PAKISTAN



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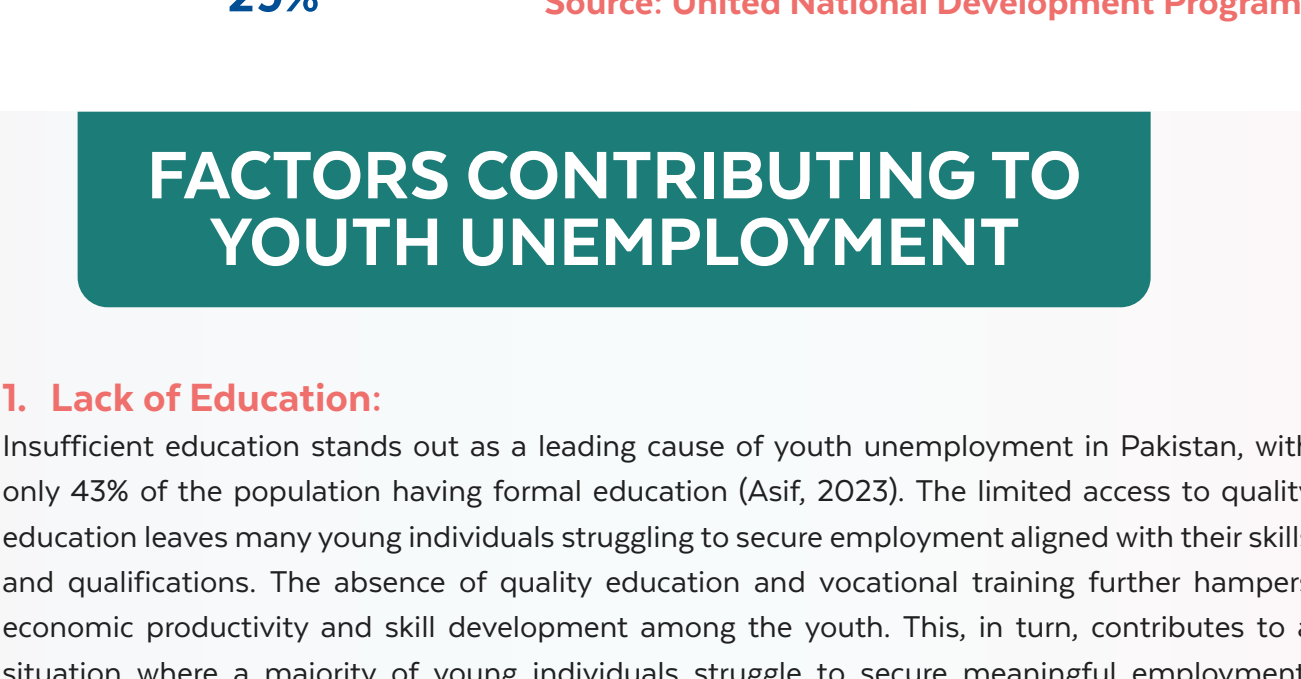
## SUMMARY

Over time, numerous less developed and developing nations have attempted to address the high levels of unemployment that are prevalent in these countries. The reasons for unemployment vary based on specific factors such as demographics and regional characteristics, leading to different interpretations. Consequently, finding a universal solution remains challenging. Notably, a significant portion of the unemployed population, as highlighted by the International Labour Organization (ILO), consists of young people, with an estimated 73 million unemployed youths worldwide in 2022 (ILO, 2022). Pakistan is not exempt from this trend, as not only have unemployment rates surged beyond acceptable levels, but also, a significant majority impacted by this issue falls within the youth demographic.

Pakistan is home to the fifth-largest global population, with 64 percent of its populace being under the age of 30 (Sayyed & Iftikhar, 2023). The youth demographic in Pakistan encompasses individuals aged 15-19 years, 20-24 years, and 25-29 years, as per the latest survey conducted by the Pakistan Board of Statistics (PBS) in 2020-21. The survey reveals that the total number of unemployed youth workers exceeded 2.77 million in 2020-21 and likely surpassed 3 million in 2022-23, constituting 61% of the total unemployed workforce in the country. This starkly underscores the economy's failure to absorb youth productively (Pasha, 2023).

Almost half of the youth are not involved in education, employment, or training (Leghari, 2020). Neglecting their potential could lead to an increasingly disenfranchised young population, impeding their ability to contribute to sustainable social, economic, and environmental development in Pakistan. Moreover, rising inflation in Pakistan is making it tough for young people and their families to make ends meet. Job opportunities are diminishing due to the unstable economic and political environment, leading many businesses to close or leave the country. Despite many students graduating daily, having a degree does not ensure a job in the current situation. Hence, faced with economic and political uncertainty, many young people in Pakistan feel compelled to leave the country in search of better prospects. To harness youth's untapped potential, a holistic approach is necessary.

## THE YOUTH OF PAKISTAN

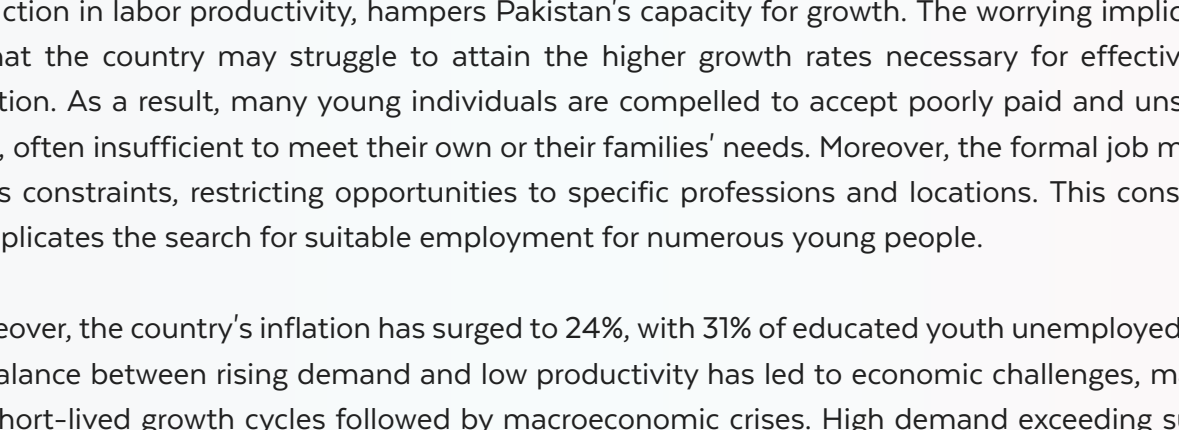


## FACTORS CONTRIBUTING TO YOUTH UNEMPLOYMENT

### 1. Lack of Education:

Insufficient education stands out as a leading cause of youth unemployment in Pakistan, with only 43% of the population having formal education (Asif, 2023). The limited access to quality education leaves many young individuals struggling to secure employment aligned with their skills and qualifications. The absence of quality education and vocational training further hampers economic productivity and skill development among the youth. This, in turn, contributes to a situation where a majority of young individuals struggle to secure meaningful employment, leading to prolonged periods of unemployment.

As per the Human Development Index, Pakistan's youth literacy rate stands at a mere 57%, indicating that only 57% of individuals aged 15 to 24 are literate. This figure significantly lags behind the global average of 91% (Asif, 2023). The issue extends to a lack of essential skills, particularly evident in sectors like agriculture, a cornerstone of Pakistan's economy. Unfortunately, a significant portion of the youth lacks the requisite skills for meaningful participation in this vital sector. Compounding the problem, Pakistan lacks a robust system of apprenticeships or on-the-job training programs, leaving many educated youths without the necessary practical skills even after completing their education.



### 2. Inadequate Investments:

Pakistan faces a challenge in terms of inadequate investment, as its investment-to-GDP ratio is merely 15%, significantly lower than the South Asian average of 30%. This deficiency results in insufficient infrastructure, limited access to essential resources like energy and water, and substandard schools and hospitals. Adding to this concern is the decline in private investment, accounting for less than 10% of GDP in FY18. This overall decline in investment, combined with a reduction in labor productivity, hampers Pakistan's capacity for growth. The worrying implication is that the country may struggle to attain the higher growth rates necessary for effective job creation. As a result, many young individuals are compelled to accept poorly paid and unstable jobs, often insufficient to meet their own or their families' needs. Moreover, the formal job market faces constraints, restricting opportunities to specific professions and locations. This constraint complicates the search for suitable employment for numerous young people.

Moreover, the country's inflation has surged to 24%, with 31% of educated youth unemployed. This imbalance between rising demand and low productivity has led to economic challenges, marked by short-lived growth cycles followed by macroeconomic crises. High demand exceeding supply prompts increased imports, resulting in balance of payments trouble. Additionally, when government spending rises without a corresponding increase in revenue, fiscal crises emerge. Also, the recurring economic crises stem from relying on consumption rather than investment and productivity for sustained growth. Pakistan's investment-to-GDP ratio has remained below 20% for the past four decades, highlighting its deficiency in attracting investments (Khan, 2022).

### 3. Unstable Economic and Political Landscape:

In various nations, a high percentage of youth is typically seen as the backbone driving the country towards its growth. However, Pakistan stands as one of the unfortunate countries that failed to harness the potential of its youth, resulting in the wastage of such talented and well-skilled individuals. Political instability, fluctuating policies, and insufficient infrastructure impede the creation of new job opportunities and constrain foreign direct investment (FDI) and domestic investment, which forces the youth to flee the country. As per the Bureau of Emigration and Overseas Employment, a staggering 450,110 Pakistanis departed the country in the initial seven months of 2023 in search of job opportunities abroad. This includes 12,787 highly qualified, 26,405 highly skilled, 164,155 skilled workers, and 198,000 unskilled Pakistanis who have sought opportunities elsewhere (Ahmad & Daniel, 2023).

Furthermore, the previous year witnessed over 832,000 Pakistanis leaving the country, marking the highest emigration figure since 2016. Notably, this official emigration number excludes those who moved abroad for educational pursuits. The unstable economic and political situation acts as a significant deterrent for young individuals who perceive limited prospects for stable employment and career growth within the country. Also, widespread corruption and nepotism in Pakistan create challenges for qualified individuals seeking employment. Employers frequently prioritize their friends and relatives, often overlooking better-qualified candidates. This practice hinders a fair and merit-based hiring process. Thus, high levels of unemployment and inflation intensify these concerns, creating an environment where the prospect of seeking opportunities abroad becomes an appealing alternative for many talented individuals.

### 4. A mismatch between Skills and Available Jobs:

There is a mismatch between the skills possessed by Pakistani workers and the skills demanded by available jobs. This discrepancy arises from the rapid technological changes that have resulted in the emergence of new roles requiring different skill sets. For instance, critical sectors such as information technology, healthcare, engineering, and technical fields are facing a pressing demand for skilled professionals. Recent reports highlight a shortage of over 30,000 qualified professionals in Pakistan's IT industry, particularly in areas like artificial intelligence, cybersecurity, and software development. Likewise, the healthcare sector grapples with shortages of approximately 25,000 doctors and 60,000 nurses, adversely affecting the quality and accessibility of healthcare services (Abbasi & Khattak, 2023). The scarcity of qualified personnel has become an undeniable obstacle, leading to increased labor costs and imposing inefficiencies on businesses.

Recent labor market surveys reveal that nearly 40% of recent graduates face challenges securing suitable employment in their chosen field, primarily due to a misalignment between their skills and the demands of the job market. This results in a paradox where businesses are in search of qualified professionals, while fresh graduates often lack the necessary expertise and relevant work experience. The absence of collaboration between educational institutions and businesses perpetuates the gap between what is taught and what is required in the professional fields. Additionally, the burgeoning population in Pakistan presents a multifaceted challenge as the supply of skilled workers contends with the escalating demand.

## CONSEQUENCES OF UNEMPLOYMENT

### 1. Poverty and Inequality:

Unemployment serves as a catalyst for poverty and heightened income disparities within communities. As individuals and families grapple with the challenge of securing employment, meeting basic needs becomes increasingly difficult. The economic vulnerability created by joblessness perpetuates cycles of poverty, contributing to a widening gap between socio-economic classes. According to the World Bank's World Development Indicators dataset, the poverty rate in Pakistan stood at 39.80% in 2018, considering a poverty line of \$3.65 per day. The projected poverty incidence for 2022-23 was 42.5%, indicating that around 18 million more individuals could fall below the poverty line during the year. Hence, in 2022-23, Pakistan contends with a surge in the number of unemployed by 2 million, along with an increase in the population below the poverty line by as much as 18 million (Pasha, 2023).

### 2. Brain Drain:

The phenomenon of "brain drain" amplifies the consequences of unemployment, particularly in the context of skilled professionals seeking opportunities abroad. Faced with limited job prospects domestically, highly qualified individuals often migrate in search of better opportunities, leaving a discernible void in the local workforce. This outward flow of talent exacerbates the existing skill gap, hindering the development of local industries and impeding overall community progress.

The country is experiencing a significant outflow of intellectual and skilled individuals due to the prevailing economic crisis, political instability, and a fragile law and order situation. As evidence, over 11 million Pakistanis currently reside abroad. In 2022, there was a notable increase in mass migration, with over 765,000 young and qualified professionals leaving the country in pursuit of overseas employment, driven primarily by the unstable political and economic conditions prevailing at home (Sakina, 2023).

### 3. Social Unrest:

Unemployment poses a risk of social unrest as frustrated individuals, unable to secure employment, may resort to illegal activities or become susceptible to extremist ideologies. The absence of economic opportunities can breed discontent, increasing the likelihood of social disturbances. Addressing unemployment becomes not only an economic imperative but also a critical factor in maintaining social stability and preventing the emergence of potentially disruptive forces within society.

Furthermore, the escalating unemployment rate opens avenues for organized crime groups and feudal lords to exploit the younger demographic. These individuals find themselves coerced into engaging in unlawful and unethical labor practices after being acquired as essentially indentured labor from underdeveloped regions. Organized crime networks subject young people to begging at traffic lights, while young women and girls are compelled into the prostitution trade. Additionally, feudal lords force the youth to work in hazardous environments as bonded laborers, as exemplified by the tragic incidents at coal mines in Balochistan. The media occasionally highlights the deaths in these mines, attributing causes to factors such as noxious gas, mine collapses, and the absence of adequate safety equipment for the workers (Shams, 2021).

### 4. Economic Slowdown:

High unemployment rates act as a significant hindrance to economic growth. The resulting reduction in consumer spending, coupled with limitations on tax revenues, contributes to an overall economic slowdown. A substantial reduction in industrial production throughout the current fiscal year has led to the loss of millions of jobs across the country, spanning both formal and informal sectors of the economy (Khan & Naqvi, 2023). Also, persistent joblessness hampers productivity and impedes progress, emphasizing the urgent need for targeted policies and interventions to address unemployment and its far-reaching economic implications.

## RECOMMENDATIONS

To curb the increasing youth unemployment, it is essential to implement corrective measures to fortify the Pakistani economy promptly.

- Emphasis should be placed on educating students about the significance of their chosen field of study before they fully commit to it.
- Introduce dedicated internship programs to enable students to gain practical experience alongside their education, thereby reducing employers' hesitancy in hiring recent graduates.
- To address urbanization trends, it is advisable to establish additional industries in urban areas that can accommodate the growing labor force.
- Given that a significant portion of skilled labor has higher employability, it is evident that training facilities should be accessible to the general population. Including the establishment of training institutes as a mandatory component of development programs can ensure this accessibility.
- Establish small-scale industries to provide opportunities for skilled laborers proficient in handmade items and handicrafts who may otherwise be unemployed. This ensures their active participation in society as employees abroad.
- The government should implement corrective measures to ensure a consistent flow of productivity and sustained growth. It is crucial to maintain a balance in focusing on the objectives and performance of various sectors, avoiding the thriving of one sector at the expense of another. Additionally, efforts should be made to uplift all sectors simultaneously for a comprehensive development.
- An increment in GDP should be made in line with those standards which directly results in increasing the investment prospects and productivity. This aspect is particularly important because some factors sometimes over express GDP (such as excessive foreign remittances); such type of increase in GDP is not necessarily accompanied by productivity and employment opportunities.
- Foster an entrepreneurial ecosystem by providing financial incentives, mentorship, and resources to encourage young people to start their own businesses.
- Develop policies and programs that include skilled professionals who have migrated abroad to return to Pakistan. This may involve offering attractive employment opportunities, research grants, and support for entrepreneurship, fostering a reverse brain drain that brings valuable skills and knowledge back to the country.
- Enacting policies that promote fiscal discipline, transparent governance, and a conducive business environment.
- Implement initiatives to improve access to quality education, especially in underprivileged areas. This includes investing in educational infrastructure, providing scholarships, and ensuring qualified teachers are available. Additionally, curriculum reforms should align with market needs to equip students with relevant skills, increasing their employability upon graduation.

## CONCLUSION

Pakistan's ability to boost its exports hinges on a comprehensive and strategic approach that addresses key challenges. While efforts to enhance the domestic enabling environment, foster cooperation between public and private sectors, improve productivity, and facilitate credit access are crucial, the country's success in stimulating export growth also requires sustained commitment, adaptive policies, and a proactive response to global market dynamics. Understanding the reasons behind any historical shortcomings in export growth, such as potential issues related to infrastructure, regulations, or innovation, is fundamental to devising effective solutions. Moving forward, a holistic and dynamic strategy, coupled with a commitment to address underlying issues, will be essential for Pakistan to unlock its export potential and compete successfully in the global marketplace.

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