Determinants of Youth Unemployment in Pakistan

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ABSTRACT

Unemployment, particularly youth unemployment, is a big issue that countries are facing globally. It has been a major concern for many countries like Pakistan. In this research, we develop an empirical study on investigating the determinants affecting youth unemployment in Pakistan. This study observes the youth unemployment and the variety of determinants that were identified as political instability, lack of investment, backwardness of agriculture sector, and overpopulation. This study discussed that young people aged (15-24) have been largely affected by the existing recession. This is for the reason that the present youth group is quite big, the longer-term viewpoint for youth unemployment is relatively great and there is a sturdy case for policymakers currently to tackle these problems that the present group is having in finding access to work. It also discusses the need for sufficient employment environment, policy examining, and assessment of the reasons to assist in providing more advanced jobs for youth. The results show that political instability, lack of investment, backwardness of agriculture sector, and overpopulation significantly affect youth unemployment.

Keywords: Political Instability, Lack of Investment, Backwardness of Agriculture Sector, Overpopulation, Youth Unemployment, Pakistan

JEL Classifications: E24, J43

1. INTRODUCTION

In the recent times, unemployment has become a hot issue and it is growing rapidly worldwide. The economic health of any country can be measured by its unemployment rate. Amadeo (2018) defined unemployment as the individuals who are jobless and are actively searching for work. According to Batu (2016), “economic theories state that unemployment occurs when a person who is actively searching for employment is unable to find work, includes only those people who are willing to work and are either employed or looking for jobs.” Youngsters are the assets and vital source of any country’s development and prosperity. The proper utilization of active, qualified, and valiant youth can bring positive change in the socio-economic development of the country (Msigwa and Kipesha, 2013). The youngsters are much more influenced by the employment crises than the elders; long-haul joblessness for youngsters can be destructive and may bring “demoralized workers” and rejection from labour market (Choudhry et al., 2010). The standard definition of youth by united nations is the people who have an age between 15 and 24. Some cultural and political factors vary the definition of youth from country to country (O’higgins, 1997) different countries have different age groups of youth but this study represents youth comprises ages between 15 and 24.

According to International Labour Organization (2020), the global youth unemployment rate was 13.6% of the youth labour force in 2019 and is likely to increase by 0.1% in 2020 and more 0.1% in 2021. The highest youth unemployment rate was 30.2% in North Africa followed by Arab States which was 22.9% in 2019. The lowest youth unemployment rate was 8.7% in Sub-Saharan Africa and 8.8% in Northern America. So, there is a need to identify the factors which are creating hurdles for the youth to enter employment. Pakistan is also facing challenges related to
unemployment particularly youth unemployment. In Pakistan, the time of the nineties was set apart by rising unemployment because of low economic growth and also the result of fiscal tightening. It was further provoked by the restructuring and privatization of public sector enterprises (Akhtar and Shahnaz, 2006). According to Pakistan Bureau of Statistics (2018), Pakistan’s unemployment rate in 2014-15 was 5.9% and it changed and decreased to 5.8% in 2017-18 and this is a good change. The unemployment rate for Pakistan youth (age between 15 and 19) was 10.1% in 2014-15 and 10.4% in 2017-18 which shows an increase of 0.3%. The Pakistan youth (age between 20–24) also increased by 0.6% from 2014-15 (11%) to 2017-18 (11.6%). So, the unemployment rate of Pakistani youth is continuing to rise regardless of some improvement in overall unemployment rate.

Several studies have been conducted related to the factors influencing the youth unemployment by several researchers worldwide. Msigwa and Kipesha (2013) conducted a research in Tanzania and found geographical location, education, gender, skills, and marital status as critical factors affecting youth unemployment. Assaad and Levison (2013) developed a study and showed that youth unemployment increases by increase in environmental threats and low creation of jobs. According to Kakwagh and Agnes (2010), the major factors for youth unemployment are high degree of geographical mobility, increasing population growth, lack of employable skills, the processes and the perception of policy makers and youth themselves about employment, and non-involvement of youth in decision making processes are the great causes of youth unemployment in Nigeria. Several studies also developed in Pakistan to find the determinants affecting the unemployment and youth unemployment. One study conducted by Kalim (2003) on finding the factors affecting the unemployment in Pakistan. She considered two factors in her study namely: GDP (gross domestic product) and population. The analysis showed that these two factors were important in creating unemployment in Pakistan. Akhtar and Shahnaz (2006) developed a research on youth unemployment. The results showed that the GDP’s growth rate, services sectors rise, and the investment in the private sectors decrease youth unemployment rather than investment in public sectors. Another study conducted by Maqbool et al. (2013) on finding the factors affecting unemployment in Pakistan. They worked on four factors namely: inflation, GDP, FDI (foreign direct investment), and population which have a positive relation to unemployment in Pakistan. Ahmad and Khan (2018) examined the determinants of youth unemployment in Pakistan and uses population, government expenditure, wage rate, inflation, and FDI as determinants. This study also focusing on finding the determinants affecting youth unemployment in Pakistan. The determinants considered in this research are political instability, lack of investment, overpopulation, and backwardness of the agriculture sector.

2. LITERATURE REVIEW AND RESEARCH DESIGN

Unemployment has become a matter of significant concern in Pakistan which is creating a lot of economic problems but these problems can be resolved with proper utilization of resources. The youth unemployment rate rises in various countries because of their incapable of educational and economical methods. Pakistan is facing the problems of unemployment, particularly among youths. As policymakers are not producing realistic measures in decreasing the unemployment issues. Youth unemployment has been a big issue in the society. Due to that, the researchers were encouraged to carry out this research in demand to study the determinants of youth unemployment. It is the trust of the researchers that if determinants of youth unemployment are recognized, the solution will not be questionable.

2.1. Key Determinants

2.1.1. Political instability

Pakistan’s present situation of unemployment is due to unfavorable consequences of political instability. Despite various incredible resources, Pakistan lacks the economic growth which is mainly due to political instability. In Pakistan, the politics have occupied on economic decision making and the political instability enormously causing the economic growth (Taha, 2012). Unemployment isn’t just a social mean however its results are extensive also. It brings dissatisfaction and despondency among the young and also promotes the engagement of young people in negative activities like terrorism, burglary, and street crimes. Politically it makes people frustrated. Votes are sold and purchased (Ali, 2012). Devereux and Wen (1998) initiate political instability in a model of capital taxation and endogenous enlargement and demonstrate that larger political instability with quite opposing views of likings shows the way to fewer development rates and advanced government expenditure. Political instability could direct to the elevated unemployment rate. Actually, political instability produces lofty ambiguity which may reduce labor command and therefore boost unemployment. A diverse thread of literature has concentrated on the political economy of government directive and on the collision of the political progression on different facets of economic act permanence due to political destruction (Lucifora and Moriconi, 2012). Political instability is a factor that is disturbing domestic and foreign investment and investors to go ahead to Pakistan because of no political stability. Various examinations contended that monetary, social, and political stability can be affected by the youth unemployment. According to Azeng and Yogo (2013), youth unemployment increases due to political instability.

H1: There is a relationship between political instability and youth unemployment.

2.1.2. Lack of investment

There has been extensive literature on the subject of unemployment because of the lack of investment in Pakistan. According to Shah and Zahir (2003), if there is no investment then there is no production (business) and we will not have any job opportunities. Foreign direct investment (FDI) is imperative in any country’s economic growth Finance (Khan et al., 2018). It doesn’t only offer job opportunities but it plays an important role in economic stability (Habib & Sarwar, 2013). Concentrate on the influence of FDI on unemployment in the urban sector and on welfare (Yabuuchi, 1999). To influence the investors, the government of
Pakistan presented different incentives on investment incentives in the shape of tax cut back and infrastructural provisions. Because of these, investors are agreeable to invest in Pakistan for the reason that they wish for location benefits like the size of the market, using rights of raw material and the accessibility of expert labour and security. Then unthinkingly employment altitude in Pakistan will be improved (Shah & Zahir, 2003). The events which forbid investment in Pakistan like the holding on foreign currency accounts, the military revolution, the irritation of the partially victorious liability compel to the military government, the 9/11 nasty occurrence, the Afghanistan war and nervousness on the Pakistan and Indian border have harmonized the astonishment (Hyder and Ahmed, 2003). Investment is important for the country’s economic growth but in Pakistan, the number of investment inflows is not so much attractive in the last 5 years (Ali et al., 2020; Ahmed, 2018). Zeb et al. (2014) studied that FDI can increase employment opportunities in Pakistan.

H2: Lack of investment increases youth unemployment.

2.1.3. Backwardness of agriculture sector
Every state’s economy is dependent on three kinds of sectors e.g. agriculture sector, industrial sector, and commerce. The progress of each sector is interdependent with each other. Pakistan is an agriculture state and this is the reason that agriculture gains are vital for Pakistan. The agriculture sector is the strength of Pakistan’s economy but Pakistan is facing problems in the agriculture sector in the form of techno-economic, socio-economic, some natural problems, and also financial problems (Khan and Bae, 2017). Due to these reasons per acre yield remain low in Pakistan in comparison to developed countries (Khan, 2012). According to Khan (2011), the backwardness of agriculture sector is the key factor to create unemployment in Pakistan. Agriculture is the major segment of Pakistan economy that increases GDP by 20.9% and 44% of people get jobs directly or indirectly from this sector. In agriculture sector unemployment occurs from 2 sides. First, the use of latest technology and machinery decreases the need for workers. Secondly, lack of availability of quality seeds, pesticides, fertilizers, no availability of land reforms, and low education levels related to agriculture. Because of all these aspects, the agriculture sector is not increasing and also creating unemployment in the country.

H3: Backwardness of agriculture sector has an impact on youth unemployment.

2.1.4. Overpopulation
Subhani (2018) stated that overpopulation is one of the important determinants in creating unemployment in Pakistan. According to Worldometers (2020), the population of Pakistan is very near to 201 million and 6th most populous country in the world. Lack of education makes people of Pakistan unaware of the economic issues which are developing due to the high birth rate. There are numerous tragic impacts of overpopulation, for example, low development rate in the agriculture sector, high unemployment, and low per capita income (Imtiaz, 2014). In Pakistan, the education system is not up to the mark so the growth in population implies carry more uneducated people (Subhani, 2018). Kalim (2003) developed a study on finding the factors affecting the youth unemployment and she discussed that in Pakistan more population causes unemployment. Overpopulation is eradicating the employment opportunities in Pakistan. Maqbool et al. (2013) developed a research and found that the population and unemployment positively relate to each other. Population pressure is creating hurdles in the development of employment opportunities for the people of Pakistan.

H4: Overpopulation will be positively related to youth unemployment.

2.2. Research Model
Unemployment is a social and economic phenomenon and many countries in the world are facing this problem. From the viewpoint of some economists, the issue of unemployment is ordinary but some other economists consider it a major problem for unemployed people specially youth people and they consider it main barrier in the development of any country’s economy. Unemployment is a hot issue in Pakistan. There can be many reasons behind this problem but this study focuses on few of them and those variables are political instability, lack of investment, backwardness of agriculture sector, and overpopulation shown in Figure 1. According to Subhani (2018) and Kalim (2003), overpopulation is one of the important determinants of unemployment in Pakistan. Overpopulation in Pakistan leads to illiteracy, poverty, absence of prosperity, and low living standard. Agriculture sector is the second most important factor in creating unemployment in Pakistan but currently, it is facing some challenges like shortage of water, changes in climate and backwardness of technology and overall this makes an effect on job declining. Approximately 62% of people of Pakistan are living in rural areas and they rely directly or indirectly on agriculture sector (Akram et al., 2012). In Pakistan, the number of investment inflows is not so much attractive in the last five years (Ahmed, 2018). Zeb, Qiang, & Sharif (2014) studied that FDI can increase employment opportunities in Pakistan. Youth unemployment increases due to political instability (Azeng & Yogo, 2013).

3. RESEARCH METHODOLOGY AND HYPOTHESIS TEST

3.1. Research Methodology
This study uses a quantitative research method. The motive for selecting a quantitative method for this research was that we...
desired to collect maximum data. The structured questionnaire was used for data collection. The instrument contained a total of 18 questions. The questionnaire was composed of a five-point Likert scale. We use a convenience sampling technique for our research. The key principle of this research is to examine the determinants affecting the youth unemployment so this study focused on unemployed youth. The data were collected from unemployed youth people from 4 cities of Pakistan including Bahawalpur, Multan, Rahim Yar Khan, and Lahore. One hundred and thirty (130) questionnaires were distributed and through 130 questionnaires, one hundred and twenty (120) questionnaires were returned and finalized in this research. The participants were being informed well in advance about the purpose and objectives of the research. This study used SPSS software for the analysis of data by applying the regression analysis technique to test the degree of relationship between the variables.

3.2. Hypothesis Test

3.2.1. Hypothesis 1
The determinants of youth unemployment were classified as “political instability”, “lack of investment”, “backwardness of agriculture sector” and “overpopulation”. The data were analyzed through regression analysis to identify the substantial differences among variables. In this context this study develops hypotheses 1 which is presented below:

H1: There is a relationship between political instability and youth unemployment.

The results of hypothesis 1 are presented below:

Table 1 shows the value of R and R square which is 0.469 and 0.220 so it defines that there is positive association between the variables. The sum of squares of regression which is 5.537 and residual which is 19.663 is shown in Table 2. The value of F is 33.226 which describes the model goodness of fit in demonstrating the variations at α 0.000. Table 3 displays the model variables and beta values of constant which explains the significance of each variable in th model. The value of t is well above +2, which makes it a useful predictor. So, we accept the hypothesis 1.

3.2.2. Hypothesis 2
Lack of investment show some relationship with youth unemployment. The regression analysis was performed to measure the relationship between lack of investment and youth unemployment. So, this study develops hypothesis 2 which is presented below:

H2: Lack of investment increases youth unemployment.

Table 4 shows the value of R and R square which is 0.373 and 0.139 so it defines that there is positive association between the variables. The sum of squares of regression which is 3.500 and residual which is 21.700 is shown in Table 5. The value of F is 19.035 which describes the model goodness of fit in demonstrating the variations at α 0.000. Table 6 displays the model variables and beta values of constant which explains the significance of each variable in th model. The value of t is well above +2, which makes it a useful predictor. So, we accept the hypothesis 2.

3.2.3. Hypothesis 3
Backwardness of agriculture sector also creates youth unemployment. The regression analysis was performed to measure the relationship to measure the relationship between the independent variable “backwardness of agriculture sector” and dependent variable “youth unemployment”. So, this study develops hypothesis 2 which is presented below:
H3: Backwardness of agriculture sector has an impact on youth unemployment.

Table 7 shows the value of R and R square which is 0.332 and 0.110 so it defines that there is a positive association between the variables. The sum of squares of regression which is 7.850 and residual which is 22.428 is shown in Table 8. The value of F is 14.585 which describes the model goodness of fit in demonstrating the variations at α 0.000. Table 9 displays the model variables and beta values of constant which explains the significance of each variable in the model. The value of t is well above +2, which makes it a useful predictor. So, we accept the hypothesis 3.

3.2.4. Hypothesis 4

Overpopulation also shows a relationship with youth unemployment. The regression analysis was performed to measure the relationship to measure the relationship between the independent variable “overpopulation” and the dependent variable “youth unemployment”. So, this study develops hypothesis 2 which is presented below:

H4: Overpopulation will be positively related to youth unemployment.

Table 10 shows the value of R and R square which is 0.558 and 0.311 so it defines that there is a positive association between the variables. The sum of squares of regression which is 7.850 and residual which is 17.350 is shown in Table 11. The value of F is 53.386 which describes the model goodness of fit in demonstrating the variations at α 0.000. Table 12 displays the model variables and beta values of constant which explains the significance of each variable in the model. The value of t is well above +2, which makes it a useful predictor. So, we accept the hypothesis 4.

4. DISCUSSIONS AND CONCLUSION

The major concern of this research was to find the determinants affecting youth unemployment in Pakistan. The important factors were evaluated during a literature review of different studies that were taken as the determinant factors on the grounds on which this research is performed. As regards as the first factor, political instability results explain that youth unemployment will rise if the political instability increases. This research provides important data supporting the hypothesis that political instability causes youth unemployment. The results suggest that youth unemployment happens mainly in countries where political instability is high. In command to reduce instability, concentration should be on examining economic opportunities for youth mainly offering employment or educational opportunities for youth. Producing feasible jobs for youth is a requirement for continuing growth and peace in all countries and mainly in those who have previously experienced fierce employment clashes. Results show that the relationship between political instability and youth unemployment is significant and positive, indicating beta value (β) = 0.469 at p < 0.05 in Table 3. It means that political instability contributes 46.9% towards youth unemployment. Lack of investment results shows that it will have substantial impact on youth unemployment because if there is no investment then there is no business and people will not have any job opportunities. Results show that the relationship between lack of investment and youth unemployment is significant and positive, indicating beta value (β) = 0.373 at p < 0.05 in Table 6. It means that lack of investment contributes 37.3% towards youth unemployment.

Backwardness of agriculture sector results illustrates that continual backwardness of agriculture sector will have a positive effect on youth unemployment or youth unemployment will increase if the agriculture sector will stay backward. Agriculture sector problems of Pakistan can be improved if there is proper agriculture research, waterlogging and salinity control, the
building of dams, and the development of agro-based industries. Results show that the relationship between backwardness of agriculture sector and youth unemployment is significant and positive, indicating beta value ($\beta$) = 0.332 at $p < 0.05$ in Table 9. It means that backwardness of agriculture sector contributes 33.2% towards youth unemployment. Results of overpopulation reveal that high rate of overpopulation will have a positive effect on youth unemployment. Results show that the relationship between overpopulation and youth unemployment is significant and positive, indicating beta value ($\beta$) = 0.558 at $p < 0.05$ in Table 12. It means that overpopulation contributes 55.8% towards youth unemployment. Due to overpopulation, the number of jobs offered turned less as compare to the number of job candidates. In this situation, many people remain unemployed. Growing population would ultimately reduce the people’s skill to nourish themselves. It is clear that overpopulated people will need supplementary food, extra water, additional housing, further employment, and further education to survive. Pakistani government should take necessary measures to control the birth rate, increase the literacy rate, and provide the more employment opportunities. Concluding, we would say that if there will be proper economic planning, better law and order situation, consistent policies by the government of Pakistan, and eradication of energy crises will not only solve the issues of unemployment but also improve the economy of Pakistan.

The following some recommendations are hereby suggested in order to assist in decreasing the youth unemployment in Pakistan.

1. The current condition of literacy in Pakistan is not pleased, no country can progress without increasing its literacy rate. Pakistani government should take necessary measures to improve the literacy rate by providing more education to the rural areas of Pakistan.
2. The government should spend more budgets for producing employment opportunities for all the unemployed youth.
3. All the political parties should assist the main government in developing a policy to decrease the unemployment.
4. There should also be a huge investment in the agriculture sector. Agriculture sector problems of Pakistan can be improved by providing thorough agriculture research, training the farmers, tax concessions, developing dams, and establishing the agro-based industries.
5. Youth unemployment can be decreased or managed when the government and sponsors will develop industries in most of the cities of Pakistan under the Structural Adjustment Programmes (SAPs).

The data were collected from respondents living in few cities of Pakistan like Bahawalpur, Multan, Rahim Yar Khan, and Lahore, so the results of this research are not generalizable for other areas, regions, or cultures. The sample size was limited, interesting results could be obtained with a large sample size. The research outcomes will only point out the effect of four factors on youth unemployment in Pakistan. It could be better if we study more factors which create youth unemployment. Future research can be done by using more factors and also by focusing on other countries in different regions and cultures.

**REFERENCES**


