

## **Exploring the Drivers of Youth Unemployment in Pakistan: A Comprehensive Review**

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### ***Abstract***

***Background:*** *One of the major issues faced by countries globally is unemployment, predominantly youth unemployment. Youth unemployment has been a significant issue for many developing countries including Pakistan.*

***Aim:*** *The current study mainly aims to examine the factors affecting the employment rate among the youth in Pakistan.*

***Methodology:*** *The study comprises a review design which analyses the factors for youth unemployment identified as insufficient investment rate, overpopulation, political unrest and the backwardness of the agriculture sector. The study addresses the adolescents who are primarily affected by the recession due to the existing youth group being large.*

***Results:*** *The long-term outlook for youth unemployment is relatively high, and there is a strong case for policymakers*

*to tackle these challenges. The prevailing youth group is facing challenges in accessing employment; hence, it is important for policymakers to address these issues. The study also deliberates the necessity for an adequate environment*

*for employment, examination of policy and the evaluation of the causes assisting in offering jobs to youth.*

**Conclusion:** *The outcomes of this study determined that insufficient investment rate, Political unrest, overpopulation and the regressive agriculture sector are the prime factors affecting youth unemployment.*

**Keywords:** *Insufficient Investment Rate, Youth Unemployment, Pakistan, Overpopulation, Political Unrest, Backwardness of Agriculture Sector.*

## **Introduction**

Unemployment, in recent years, has increased significantly affecting many countries worldwide particularly developing countries are being affected by this issue. The unemployment rate of any country shows the country's economic health. Unemployment is defined as jobless individuals vigorously searching for work (Amadeo, 2018). Batu (2016) stated that unemployment occurs

due to insufficient work opportunities for individuals including those individuals who are employed and searching for jobs or either keen to work. The prime asset for a country's development and prosperity is its youth. The socio-economic growth of a country is affected positively by valiant and qualified youth (Msigwa & Kipesha, 2013). The employment crises have affected the youth more than the elders, long-term unemployment among youngsters can result in refusal from the labour market and demoralised workers (Choudhry et al., 2012). According to the United Nations, the youth consists of individuals aged from 15-24. However, the definition of youth might diverge from country to country due to a few political and cultural differences (O'higgins, 1997). The age group of youth differs in various countries. In this study, the age group comprised ages from 15-24. The International Labour Organization 2020 stated that the unemployment rate among youth globally was 13.6% in 2019 and is

expected to upsurge by 0.1% in 2020 and further in 2021 by 0.1%. North Africa had the highest rate of youth unemployment which was 30.2% and in Arab states, it was 22.9% in 2019. Sub-Saharan Africa and North America had the lowest employment rates among youth with 8.7% in Sub-Saharan Africa and 8.8% in North America. The causes of unemployment in youth need to be identified. Pakistan is also facing issues concerning the unemployment rate mainly youth unemployment. In the '90s, Pakistan was affected by rising unemployment due to the tightening economy and a decrease in economic development. This situation was further aggravated by the privatisation and reorganisation of state-run companies (Akhtar & Shahnaz, 2005). The Pakistan Bureau of Statistics 2018 stated that the unemployment rate in Pakistan was 5.9% from 2014 to 2015 which decreased from 2017-2018 to 5.8% which is a positive change. Among the youth of Pakistan, the employment rate from 2014 to

2015 was 10.1% and from 2017 to 2018 it increased to 10.4% showing a rise of 0.3%. The youth of Pakistan between the ages of 20 to 24 also upsurged by 0.6% from the year 2014-2015 to 2017-2018 11% and 11.6%; thus, demonstrating that the unemployment rate in Pakistan has been increasing day by day irrespective of a few overall improvements in the unemployment rate. Several researchers have directed numerous studies concerning the determinants of youth unemployment. In a study conducted by Msigwa and Kipesha (2013) in Tanzania, they determined that education, geographical location, marital status, skills and gender are the primary factors influencing youth unemployment. A study by Assaad and Levison (2013) shows that the unemployment rate among the youth rises with the upsurge in less job creation and environmental threats. In the study by Venatus and Agnes (2010), it was found that high geographical agility, overpopulation, lack of skills for

employment, the perception and process of youth and legislators regarding employment, and disinterest of youth in the process of decision-making are the crucial causes of unemployment in Nigeria. There have been several research works conducted to study the determinants influencing youth unemployment and unemployment. A study by Kalim (2003) identified the determinants of unemployment in Pakistan. According to her study, population and Gross domestic product (GDP) are crucial factors influencing unemployment in Pakistan. Akhtar and Shahnaz (2005) conducted a study on unemployment among youth. The outcomes of their study determined that the upsurge in service sectors, the GDP growth rate and the contribution in private sectors rather than the contribution in public sectors reduces the rate of youth unemployment. A study conducted by Maqbool et al. (2013) demonstrated the causes of unemployment in Pakistan. The study identified Foreign direct investment (FDI), GDP, population

and inflation as the major factors having a positive influence on unemployment in Pakistan. Another study by Ahmad and Khan (2018) investigates the factors affecting unemployment in Pakistan. Their study showed that government expenditure, FDI, inflation, population and wage rate are the crucial factors influencing youth unemployment in Pakistan. The aim of this study is to investigate the determinants influencing unemployment among youth in Pakistan. The determinants under consideration in this study are overpopulation, insufficient investment rate, regressive agriculture sectors and political unrest.

### ***Research Aim***

The current is primarily intended to review the influence of overpopulation, insufficient investment rate, regressive agriculture sector, and political instability, on youth unemployment.

### ***Study Objectives***

To review the influence of overpopulation on youth unemployment.

To review the influence of insufficient investment rate on youth unemployment.

To review the influence of the regressive agriculture sector on youth unemployment.

To review the influence of political instability on youth unemployment.

## **Methodology**

This study uses a qualitative analysis. A qualitative study design enables analysing a topic in a far more comprehensive way allowing learning from various diverse sources and writing it as one's knowledge of the issue creating an all-enveloping collection of knowledge based on the topic under consideration. In order to collect data for the current study, several online databases have been used. It was kept under consideration that the sites such be reliable and authentic. The primarily used sites for collecting

data were PubMed, Google Scholar and Science Direct. Some other websites like Google, relevant web pages and blogs were also used for searching and gathering data. The search procedure was also done by using keywords related to the topic. This study primarily aims to review the determinants of youth unemployment in Pakistan. So, the data revolves around four countries of Pakistan including Rahim Yar Khan, Bahawalpur, Lahore and Multan.

## **Results and Discussion**

Unemployment is one of the most crucial problems faced by Pakistan causing significant economic loss. However, such adversities can be resolved by appropriate resource utilisation. In different countries, the rate of unemployment among youth increases due to their incompetent economic and educational methods. Legislators are not taking any realistic measures to reduce issues concerning unemployment. Unemployment among youth has

become the biggest issue in society. Upon conducting a thorough review of the topic, the prime drivers of youth unemployment as cited in the literature are discussed subsequently.

### ***Overpopulation***

In Pakistan, overpopulation is among the major determinants of unemployment as the growing population of Pakistan has resulted in decreasing job opportunities (Subhani, 2018). The 2020 Worldometer provided an approximate amount of Pakistan's population which is about 201 million. Pakistan comes 6<sup>th</sup> on the list of the most populated countries. Overpopulation has a significantly tragic impact on the rate of development in the agriculture sector, less income per capita and high unemployment (Imtiaz, 2014). The high birth rate is affecting employment opportunities but the lack of education due to weak educational policies (Akhtar et al., 2022) has made the people of Pakistan unaware of the economic disaster the country is facing

(Subhani, 2018). The drastic effects of overpopulation include low investment rates, low standards of living, inflation, reduced wages, poverty, and pollution (Imtiaz, 2014). A study by Kalim (2003) stated that population pressure wears away job opportunities and high GDP growth declines the employment rate. Employment rates in Pakistan are being evicted by overpopulation. Unemployment and overpopulation correlate positively with each other. The pressure of the growing population has made it challenging to find job opportunities for individuals in Pakistan (Maqbool et al., 2013). Hence, overpopulation is prone to have an influence on the decreasing job opportunities. Due to the growing population, the employment rates are declining rapidly.

### ***Insufficient Investment Rates***

A low investment rate decreases employment opportunities. Much research has been conducted on unemployment due to insufficient investment rates

in the context of Pakistan. Shah and Zahir (2003) stated that insufficient investment rates decrease the opportunities for employment. The most crucial asset for a country's economic growth is dominated by the FDI (Foreign direct investment) (M. Khan et al., 2018). Investment plays a vital role in providing job opportunities and is crucial for stabilising the economy (Habib & Sarwar, 2013). The FDI does not offer employment opportunities. However, it maintains the economic stability of a country (Habib & Sarwar, 2013). Zeb et al. (2014) also revealed in their study that the FDI are responsible for stabilising the economy of a country. Thus, it was noted that FDI positively impacts the unemployment rate on welfare or in the urban sector (Yabuuchi, 1999). The Pakistani government in order to stimulate investors, proposed various incentives for investment inducements as infrastructural provisions and tax cutbacks. Due to such inducements, investors in Pakistan settled to

invest for reasons like rights to use raw materials, location benefits, security and label accessibility and market size by which the employment rate will improve in Pakistan (Shah & Zahir, 2003). However, the occurrence of some events has held back the investment rate in Pakistan which include the military revolution, holding foreign currency accounts, the 9/11 incident, frustration of moderate victorious obligated compelled to the government military, edginess on the borders of India and Pakistan and the war of Afghanistan has caused bewilderment (Hyder & Ahmed, 2003). A nation's economic growth is positively influenced by investments. However, in Pakistan, the investment rate is not growing compared to the last five years (Ahmad & Khan, 2018; Ali et al., 2020). Insufficient rates of investment increase the unemployment rate and affect the economy of a country.

### ***Regressive Agriculture Sector***

The economy of a nation relies



upon commerce, the industrial sector and the agriculture sector. As an agricultural-based nation, the agriculture sector of Pakistan is the most crucial asset for the growth of Pakistan's economy. However, Pakistan is currently facing certain challenges concerning its agriculture sector and economy. The agriculture sector of Pakistan is influenced by the issues related to socioeconomic, techno-economic and natural problems. Though also financially, Pakistan is facing hardships (M. Khan & Bae, 2017). Because of such reasons, the per acre yield of Pakistan is very low as compared to those of the developed nations (A. Khan, 2012). The low employment rate in Pakistan is primarily due to the regressive agriculture sector. In Pakistan, the agriculture sector offers employment opportunities and increases the GDP by 20.9% and almost 44% of Pakistani individuals whether indirectly or directly get employed. Unemployment in the agriculture sector of Pakistan occurs mainly due to two reasons. Firstly, due to

the unavailability of machines and technology, and secondly because of the lack of seeds and fertilizers. The outcomes of these aspects explain the decreased employment rates in Pakistan.

### ***Political Unrest***

Political unrest is one of the crucial reasons for the high unemployment rate in Pakistan. In spite of the presence of numerous resources, the unemployment rate and decreasing economy in Pakistan are severely due to political unrest. The effects of unemployment are not only social but also affect people especially the youth to engage in negative activities including burglary, terrorism and street crimes (Muhammad Ali, 2012). The unemployment rate might be elevated by political unrest. Lofty uncertainty is produced by the instability of politics causing the reduction of labour command and increasing unemployment in a country. The impact of the development of various facades of economic acts and government

commands of the political economy has been due to political unrest (Lucifora & Moriconi, 2012). Political instability in a country has disturbed foreign and domestic investors and investments to grow because of unstable politics. Azeng and Yogo (2013) suggested that the high unemployment rate is strictly influenced by political unrest.

The study primarily aims to review the factors influencing youth unemployment in Pakistan. The factors under consideration include overpopulation, insufficient investment rate, regressive agriculture sector and political unrest. These determinants are thoroughly reviewed in the literature review section. The results showed that overpopulation correlates with unemployment and has a great influence on low employment opportunities. Insufficient investment rates in Pakistan have a great positive impact on the growth of GDP and economic growth. Low investment rates also influence the declining employment opportunities in

Pakistan. The regressive agriculture sectors of Pakistan influence the decreasing employment opportunities among youth in Pakistan as it directly affects economic growth and GDP. Lastly, the unstable political sectors of a nation play a vital role in decreasing employment opportunities for a nation. The political unrest directly affects the economy of Pakistan causing a rapid loss in growth of the economy and GDP.

## **Conclusion**

The present study aims to review existing bodies of knowledge concerning the factors affecting youth unemployment. The determinants under consideration included overpopulation, insufficient investment rate, regressive agriculture sector and political distrust. After reviewing and accumulating the required data it was revealed that the unemployment rate in Pakistan is significantly influenced by

overpopulation, insufficient investment rate, regressive agriculture sector and political unrest. The economic growth and GDP of Pakistan have been rapidly declining due to insufficient investment rates and regression of the agriculture sectors directly influencing the economic growth and GDP growth of Pakistan. The FDI can potentially increase the employment rates in Pakistan. The government can also improve the unemployment situation in Pakistan by proper funding to the agriculture sector.

### ***Recommendations for Future Research***

Following are some recommendations provided for future researchers.

Currently, the literacy condition in Pakistan is very poor. Thus, it is recommended that future studies include this problem and provide necessary measures to overcome the literacy issue by improving the education sectors in Pakistan.

Future studies could also include suggestions for improving and providing job opportunities in Pakistan.

Suggestions on improving the agriculture sector in Pakistan and solutions related to the problems faced by the agriculture sector can also be included in future searches.

Future searches can include resolutions for decreasing the unemployment rates.

This study revolves around the context of Pakistan and the determinants included in this study revolve around the factors influencing youth unemployment in Pakistan only, hence it is recommended for future researchers to conduct their research in the context of other underdeveloped nations.

The current study only contains specific determinants. Thus, it is recommended for Future researchers to include more determinants of youth unemployment.

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