

## Factors Influencing a High Unemployment: An Empirical Evidence from Pakistan

By

<sup>1</sup>Bahadur Ali Soomro, <sup>2</sup> Abdul Jaleel Mirjat, <sup>3</sup> Nazia Barkat

### Abstract:

*In the present era, the socio-economic problems such as inflation, business fluctuations, overpopulations, poverty, beggary and decline in living standard are tremendously increasing day by day. Among such the intolerable issues, unemployment is one of the most dangerous and unbearable condition for every economy. To this extent; the present paper efforts to investigate the major predictors of unemployment in Pakistan. To assess such the issue, some major independent variables like lack of skills, low wage and lack of education are selected for examining the phenomena of unemployment. We applied a survey questionnaire-based on random sampling method. In total 830, valid surveys are analyzed at final stage. The data is analyzed through Statistical Package for Social Sciences (SPSS) version 24.0 for windows. The scores of Pearson's correlation and multiple regression analysis showing that there is a positive and significant relationship among low wages, lack of education, lack of skills and unemployment. This study may prove a guideline for policy makers and economic agents to think about the unemployment and reduce the burden of unemployment through improving such the factors. Furthermore, the study may contribute to the relevant literature of unemployment particularly in the developing contexts.*

**Keywords:** Unemployment; lack of education, lack of skills, low wage, inflation, poverty, beggary, business fluctuations.

### Introduction:

In fact, unemployment is highly considered as the most complex social problem of market economy. It resorts to bring out the changes in business cycles demanding for aggregative need and supply (Akram et al., 2012). Meanwhile, an unemployment as a big social problem points

---

<sup>1</sup>Professor, Area Study Centre (FESEA), University of Sindh, Jamshoro

<sup>2</sup>Lecturer, Department of Sociology, University of Sindh, Jamshoro

<sup>3</sup> M.Phil., Pakistan Study Centre, University of Balochistan, Quetta Pakistan

out in the context of usage of human power through a single nation. However, high ratio of unemployment is associated with loss of resources and economical wastage in a civil society. Thus, an unemployment is a worldwide issue of all over societies and confronted by every nation of the world. As the different definitions and explanations stated for unemployment in an appropriate way, Hence, unemployment can be defined as “the condition of having no job or being out of work” or “Proportion of people which are able to work and actively searching jobs but they are unable to find it”. IMF report (1998) defines “unemployment is measured per annum as percentage of labor force that can’t find a suitable job”. International Labor Organization (2001) presents that an unemployment is such slot for ages 16 or above of being away from task or require an employment and mostly seeking for it for last movement in spite of availability of such a work within the next phase. Henceforth, Unemployment is a common problem of developing countries of the world. It has resulted out the different unwanted social issues in human societies like suicide, burglary, theft, crime, human assassination and risk and threat to national security at worldwide level. Furthermore, it damages human survival strategies and developing economy. As per report of Pakistan Bureau of Statistics, Pakistan has a population above 177 million from the result of Pakistan Economic Survey 2011-12, there are the different criteria as for literacy rate is noticed like 58 percentages in the country. After that foreign investment is approximately 532 million dollars in 2012, meanwhile, the GDP growth rate is like 3.7 percent that has constantly lowered over the past era. However, Pakistan is a rich and developing country of the world, and confronting with innumerable social issues. From them, unemployment is a key problem of Pakistani society. Moreover, the unemployment rate in Pakistan approximately 5.55 percent. Meanwhile there has been the various facts and factors producing the high unemployment in this country. Thereof, the explanatory variables under study are Population Growth Rate (PGR), Foreign Direct Investment (FDI), Interest Rate (IR), Poverty Rate (PR) and Gross Domestic Product (GDP). Such the studies have been carried out to recognize and apprehend the main components of unemployment among the public of Pakistan, in addition to this, study covers the links between factors with one another. Thus, this may offer enlightenments for the policy makers so as to design the valuable policies for national growth. This study attempts to trace out the tendencies in unemployment rate since 1981 to 2010 in Pakistan.

Pakistan came into being on the world map on 14<sup>th</sup> August, 1947 with a population of 32.5 million (Pakistan Economic Survey, 2010-2011) the most of the people depend on agricultural work for survival in Pakistani society owing to agrarian in nature. However, Agriculture life is based on the primitive methods for survival and maintaining lives on the earth

as the previous era, there was no alternative source for survival expect agriculture work, and the individuals had no more jobs in markets at the ancient times. Thus, unemployment slowly is inflating in Pakistani society an account of the poor industrial zones in the country. Furthermore, such risky conditions of Industries are not yet improved so far after creation of this country. However, at present, the statistic portal demonstrates the unemployment rate in Pakistan from 2007 to 2017 is approximately 5.9 percent ([www.statista.com](http://www.statista.com)).

Consequently, the literature witnessed that the unemployment is a main factor which continuously has ruined the youth as well economy of Pakistan (Saeed, 2002; Qayyum, 2007; Akram et al., 2012). However, the present paper attempts to investigate the specific predictors of unemployment in Pakistan. Furthermore, the study may prove a guideline for policy makers and economic agents to think over the unemployment and reduce the burden of unemployment on the basis of improving such the factors. Hence forth, the study may donate to the pertinent literature of unemployment particularly in the developing contexts.

### **Literature Review:**

In fact, unemployment is highly considered as the most complex social problem of market economy. it resorts to bring out the changes in business cycles demanding for aggregative need and supply (Akram et al., 2012). However, an unemployment as complicated problem of human society presents through the context of usage of human power in form of a single nation. For such a factor, the bombastic literature assists to investigate the determinant of unemployment worldwide level. In addition to examining the problem of educated unemployed individuals being carried out through the secondary sources of data in the domains of Pakistan. Khan et al. (1986). Almost the respondents were less than thirty years of age, and outcomes of such a study demonstrated that about fifty percent of unemployed individuals were not ready to leave their respective homes/houses for the sake of employment.

In a similar mode, it has been observed that the low eminence of human resource in Pakistan is a specific reason of unemployment (Chaudhry and Hamid, 1998). A quantitative study carried out by Hunt (1999) in Germany. The researcher selected German respondents who had been in between 10-54 years of age. The findings of such the study indicated that the rate of unemployment noticed like decrease from 89 to 73 percent in six years. Albeit, lack of human care among children found absent that resulted of negative effect on unemployment. As stated by Cartmel and Furlong (2000), made comparison through acquisition of the experiences of 18 to 24 years old unemployed individuals in rural as well as urban areas. As a consequence of it, youth unemployment is common in country side. Nevertheless, for labor market, they have little

skills for it, as skills for such work is labor market. In the similar domain, in the regions of Brazil and Mexico, Rocha and Jose (2002) examined the association among interest rate, exchange rate taxes on household expenditures. Autoregressive distributed lag models were put into use for data analysis. The results indicated that interest rate is significantly and positively associated with unemployment within countries. In addition to this, there was negative association between unemployment and taxes on household consumption. Qayyum (2007) stated that unemployment is at high rate in urban regions of Pakistan as the individuals possess of mismatch structural factory and unskilled, the dearth of future improper plans, lack of counselling and training skills and poor wage system.

In Turkish country, for the year 2000-2007, Akhtar and Ozturk (2009) tried to trace out the relationship among unemployment, foreign direct investment (FDI) and Gross domestic product (GDP). The findings of the study indicated that a positive influence into deviations in exports on GDP, irrespective to it, FDI resulted out the rate of unemployment in regions of Turkey. However, the study highly acclaimed that Turkey ought to increase an export for the sake of more FDI. In Namibia, Eita and Ashipala (2010) explored the main reason of unemployment from 1971-2007. The study revealed that investment, GDP and inflation have negatively linked with unemployment in addition to enhancing in wage significantly and positively as attained with unemployment. Henceforth, it has also been recommended that if GDP is below potential GDP, clearly it would affect unemployment. Hence, workers require to make lower their wages demand in lieu of reducing unemployment, GDP would lessen unemployment. Similarly, investment would also assist in lessening of unemployment.

Faridi et al. (2010) inspected the effect of education on employment of Pakistan by applying the primary data source in Bahawalpur. The outcomes of study exposed that three factors like experience, health and education have a strong positive association with employment. The researchers suggested that government of Pakistan should play a strong role for improving the education and health sectors in urban as well rural areas. A connection between money and unemployment is investigated by Berentsen et al. (2011). The scholars also showed the influence of monetary factors on labor market behavior. Interest rate and inflation were taken as main measures for money. The study found positive relationships among such the variables. Likewise, Emst (2011) recognized the many factors which are contributing to unemployment in-and outflows. Such variables include legislations for employment; interest rates; productivity growth; wage bargaining centralization and protection investment dynamics. The results of study emphasized that training measures, public employment services and income support are the suitable predictors of unemployment's outflow. In Pakistan, Rafiq et

al. (2010) completed a research from 1998-2008 to observe the factors of unemployment. The descriptive variables included FDI, PGR, and inflation rate. The outcomes discovered that population growth rate has a significant and positive impact on unemployment. On the other hand, the factors such as FDI and inflation are significantly and negatively associated with unemployment in Pakistan. In the same domain, Andrews and Nickel (1982) calculated the period after world war and recommended that rise in real wages consequences in extend unemployment spell. Furthermore, the outcomes exposed that one percent increase in real wage consequences in two to five percent increase in unemployment period. More recently, in Indonesia Puspajuita (2018) suggested that industrialization has a positive but non-significant impact on unemployment level. In a simple sense, the industrial sector is less contributing towards creation of employment as compared to agricultural sector.

As a result, numerous studies were conducted from time to time in the different contexts. Therefore, the present study attempts to investigate the factors: lack of skills, lack of education and low wage towards unemployment in Pakistan.

**Aim and Objectives of the study:**

The main aim of present study is to investigate the factors that influence on unemployment in Pakistan. Following such the aim, the following specific objectives were developed properly.

**Objective one:** To examine low wage towards unemployment among people of Pakistan.

**Objective two:** To inspect lack of education towards unemployment among people of Pakistan.

**Objective three:** To explore lack of skills towards unemployment among people of Pakistan.

**Hypotheses of the Study:**

On the basis of above objectives; the following hypotheses were developed for confirmation among people of Pakistan.

**Hypothesis 1:** Low wage has a positive and significant relationship with unemployment among people of Pakistan.

**Hypothesis 2:** Lack of education has a positive and significant relationship with unemployment among people of Pakistan.

**Hypothesis 3:** Lack of skills have a positive and significant relationship with unemployment among people of Pakistan.

### **Research Methods:**

This study is based on quantitative methods. The cross sectional data was gathered from the participants of Pakistan. The survey questionnaire was applied to collect the information from respondents. The random techniques were followed to collect such the data. The items for such variables including lack of education, low wage, lack of skills and unemployment were generated from the different scholars like Saeed, 2002; Qayyum, 2007; Akram et al., 2012; Asliddin and Gharlegghi (2015). All items were measured through five point Likert Scale ranging from strongly disagree to strongly agree.

### **Area and Respondents of the Study:**

The researchers have chosen Pakistan as an area of study including the provinces: Sindh, Punjab, Khyber Pakhtunkhwa, Balochistan as well Gilgit Baltistan of Pakistan. The respondents were those citizens who were 18 and the above years of age as suggested by Asliddin and Gharlegghi (2015). Before handing over the questionnaire to respondents, a consent for taking part in the study was acquired in order to fulfil the ethical values of the respondents. Total 830, samples were collected. Such the sampling size fulfils the criterion of Krejcie and Morgan Morgan (1970).

### **Empirical Findings:**

The data was analyzed by applying Statistical Packages for Social Sciences (SPSS) version 24.0 for windows. Necessary tests were conducted in order to get suitable results from the collected data.

### **Demography:**

The demography of respondents showed that 74% (n=620) participants were males and 25% (n=210) were females. With respect to age factor of the respondents, 29(n=248) respondents were in between 26-30 years of age. 15% (n=132) were 31-40, and 2% (n=20) were the above 41 years of age. In a similar way, a majority of respondents were from province of Punjab (36%; n=300), 25% (n=210) from Sindh, 21% (n=180) from KPK and 13% (n=110) respondents were from Balochistan (Table I).

Table I Demography of respondents (N=830)

	Category	Frequency	Percent
Gender	Male	620	74.69
	Female	210	25.31
Age	18-25	430	51.80
	26-30	248	29.88
	31-40	132	15.91
	41and above	020	02.41
Province	Sindh	210	25.31
	Punjab	300	36.14
	KPK	180	21.69
	Balochistan	110	13.25
	Others	030	3.61
	Total	385	100.0

### Descriptive Statistics and Reliability Calculation:

The overall reliability of the instrument is noted like 0.821. While reliability of every factor remained as satisfactory (Table II). In addition to it, a high mean for lack of education, whereas a low mean for lack of skills was noted (Table II). Interestingly, the standard deviation for lack of skills were as 1.23 and for lack of education is like 0.99 (Table II).

Table II Descriptive statistics and reliability (N=830)

Variables	Total N	Mean	Standard deviation	Cronbach's alpha ( $\alpha$ )
Unemployment	830	3.04	1.01	0.891
Low wage	830	2.98	1.09	0.832
Lack of education	830	3.22	0.99	0.812
Lack of skills	830	2.89	1.23	0.795

### Pearson's Correlation and Multiple Regression:

The proposed relationships were confirmed through two digital techniques such as multiple regression analysis and Pearson's correlation. The weights for H1 suggested ( $r=0.633^{**}$ ;  $\beta=0.346^{**}$ ;  $t=6.871$ ;  $p<0.1$ ) (Table III and IV) a significant and positive relationship the factors i.e. low wage and unemployment. Thus, H1 was accepted. Concerning to H2 scores of Pearson's correlation and regression ( $r=0.380^{**}$ ;  $\beta=0.173^{**}$ ;  $t=3.925$ ;  $p<0.1$ ) (Table III and IV) highlighted a significant and positive linkage between lack of education and unemployment. Therefore, H2 was accepted. In the last, the outcomes also underlined a significant and positive connection between lack of

skills and unemployment ( $r=0.503^{**}$ ;  $\beta=0.148^{**}$ ;  $t=3.411$ ;  $p< 0.1$ ) (Table III and IV). Henceforth, H3 was supported by the data.

Table III Person's and correlation (N=830)

	Variables	1	2	3	4
1	Unemployment	---			
2	Low wage	0.633 <sup>**</sup>	---		
3	Lack of education	0.380 <sup>**</sup>	0.388 <sup>**</sup>	---	
4	Lack of skills	0.503 <sup>**</sup>	0.485 <sup>**</sup>	0.357 <sup>**</sup>	---

<sup>\*\*</sup>. Correlation is significant at the 0.01 level (2-tailed).

<sup>\*</sup>. Correlation is significant at the 0.05 level (2-tailed).

Table IV Multiple regression analysis (N=830)

Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized t		Sig.
		B	Std. Error	Beta		
	Low wage	0.364	0.053	0.346	6.871	0.000
	Lack of education	0.206	0.052	0.173	3.925	0.000
	Lack of skills	0.182	0.053	0.148	3.411	0.001

a. Dependent Variable: Unemployment

### Discussion and Conclusion:

The key purpose of present paper was to inspect the factors which were responsible for developing unemployment in Pakistan. To detect such an important issue; a rigorous literature was reviewed and some hypotheses were developed on the basis of variables such as dependent and independent. Such the study was based on quantitative methods in which cross sectional data had been gathered from the participants of Pakistan. The respondents were the individuals of Pakistan including Sindh, Punjab, KPK, Balochistan and others (Gilgit etc). The survey questionnaire was applied to collect the information from respondents. The questionnaire was adapted from the domain literature. The random techniques being followed to collect such the data. The items for such variables including lack of education, low wage, lack of skills and unemployment were generated from the different scholars like Saeed, 2002; Qayyum, 2007; Akram et al., 2012; Asliddin and Gharlegghi (2015). All items were measured through five point Likert Scale ranging from strongly disagree to strongly agree.



The demography of respondents showed that a majority of respondents were males as compared to females. A huge number of respondents were in between 26-30 years of age. A majority of respondents were from province of Punjab while minority of respondents were from other provinces. The overall reliability of individuals' factors noted as a satisfactory. Moreover, a high mean for lack of education, whereas a low mean for lack of skills had been noted. Remarkably, standard deviation for lack of skills found high and for lack of education as low.

The proposed relationships were verified with assistance of Pearson's correlation as well as multiple regression analysis. The weights of such techniques for H1, H2 and H3 suggested a positive and significant relationship among low wage, lack of education, lack of skills and unemployment. As a result of it, all hypotheses were accepted. Such the positive results accorded with the scholars like Saeed (2002); Qayyum (2007); Akram et al. (2012) who earlier confirmed such the relationships. Such results may reflect that a low wage, lack of education and lack of skills remained the main factors producing a huge number of unemployed youth in context of Pakistan.

In a conclusion, the overall findings suggested that there is a positive and significant relationship among low wage, lack of education, lack of skills and unemployment in Pakistan. In this way, Pakistan should make effective policies regarding the elimination of a dangerous situation pertaining to unemployment. The government should launch such the policies of high wage which make unemployed people as employed in the different firms and organizations. Moreover, it should offer the trainings and vocational centers for enhancing the skills among the individuals of human society. Such the study may offer guidelines for policy makers and economic agents to control unemployment through improving the main factors which were highlighted through our paper. Besides to it, this study may contribute to the relevant literature of unemployment particularly in the developing contexts.

## References:

- Akhtar, I. and Ozturk, L. (2009), "Can unemployment be cured by economic growth and foreign direct investment in Turkey?" *International Research Journal of Finance and Economics*, Vol. 27, pp. 203-211.
- Akram, S., Khan, S., Khan, M. N. and Muhammad Tufail, M. (2012), "Unemployment Reasons and Its Impact on Pakistan Economy", *City University Research Journal*, Vol. 3, No.1, pp. 204-216.
- Andrew, M. and Nickell, S. (1982), "Unemployment in the United Kingdom since the War", *Review of Economic Studies*, Vol. 49, pp.731-759.
- Aslam, M. (2010), "*Poverty in Pakistan*", Economic survey. Islamabad: Economic adviser wing, finance division, Government of Pakistan. 127-128.
- Asliddin, N. and Gharleghi, B. (2015), "Factors influencing high unemployment in Tajikistan", *International Journal of Social Science Studies*, Vol. 3, No. 6, pp. 49-56.
- Berentsen, A. Menzio, G. Wright, R. (2011), "Inflation and unemployment in the long run: American Economic Review", *American Economic Association*, Vol. 101, No. 1, pp.371-98.
- Cartmel, F. and Furlong, A. (2000), "*Youth unemployment in rural areas*", Report No: 220, Produced for The Joseph Rowntree Foundation.
- Chaudhary, M. and Hamid, A. (1998), "Unemployment in Pakistan. Pakistan Economic and Social Review, Vo. 36, No. 2, pp.147-170.
- Eita, J. H. and Ashipala, J. M (2010), "Determinants of unemployment in Pakistan", *International Journal of Business and Management*, Vol. 5, No. 10, pp.92-104.
- Emst, E. (2011), "Determinants of unemployment flows, labour market institutions and macroeconomic policies", *Discussion paper*, International Institute for Labour Studies.
- Faridi, M. Z., Malik, S. and Ahmed, R. I (2010), "Impact of education and health on employment in Pakistan: A case Study", *European*

*Journal of Economics, Finance and Administrative Sciences*, Vol. 18, pp.58-68.

- Hunt, J. (1999), "Determinants of non-employment and unemployment durations in east Germany", *CEPR Discussion Papers 2182, C.E.P.R. Discussion Papers*.
- ILO's World Employment Report (2001), "ILO's World Employment Report 2001: Despite Improved Employment Outlook, Digital Divide Looms Large", [www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_007830/.../index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_007830/.../index.htm).
- International Monetary Fund (IMF) (1998), "Unemployment dynamics during recessions and recoveries: okun's law and beyond", [www.imf.org/external/pubs/ft/weo/2010/01/pdf/c3.pdf](http://www.imf.org/external/pubs/ft/weo/2010/01/pdf/c3.pdf).
- Khan, S. R., Ali, S. Z., and Malik, S. J. (1986), "Some findings about the unemployed highly educated persons in Pakistan", *The Pakistan Development Review*, Vol. 25, No. 4, pp.731-736. <https://www.statista.com/statistics/383735/unemployment-rate-in-pakistan/>
- Pakistan Economic Survey (2010-2011), page 151.
- Puspadjuita, E. A. R. (2018), "Factors that Influence the rate of unemployment in Indonesia", *International Journal of Economics and Finance*, Vol. 10, No. 1, pp. 140-147.
- Qayyum, W. (2007), "Causes of youth unemployment in Pakistan", *The Pakistan Development Review*, Vol. 46, No. 4, pp.611-621.
- Rafiq, M., Ahmad I. and Ullah, A. (2010), "Determinants of unemployment: A case study of Pakistan economy (1998-2008)", *Abasyn Journal of Social Sciences*, Vol. 3, No. 1, pp.17-24.
- Rocha, C. H. and Jose, A. (2002), "The determinants of unemployment in Brazil and Mexico", *Economia*, Vol. 3, No. 2, pp. 303-315.
- Saeed, N. M. (2002), "*Economics of Pakistan*", Imtiaz Book Depot, 2002 page 121-123.