GENERATION UNLIMITED

INVESTING IN PAKISTAN'S YOUNG PEOPLE

OUR TIME | OUR TURN | OUR FUTURE

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CONTENTS

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FOREWORD

The current generation of young people comprises one-quarter of the world's population and is expected to grow in the years to come. With the right investments, this large cohort of young people has the potential to yield an important demographic dividend to contribute to social development and economic growth. However, many young people are not in education, training or employment, and have few opportunities to realize their potential and have their voices heard.

Generation Unlimited (GenU) was created in 2018 as a global multi-sector partnership to meet the urgent need for education, training and employment opportunities for young people around the world. GenU draws together a range of partners – the private sector, governments, multilateral organizations, civil society and young people themselves – to create opportunities for investments and innovations at scale.

Pakistan is one of 16 front-runner countries establishing a GenU country-level partnership platform and an investment agenda. With 65.4 million young people between 10 and 24 years old, Pakistan has one of the largest young populations in South Asia. The Government of Pakistan, recognizing the importance, talents and aspirations of Pakistan's youth, is already making key investments in its youth cohort, between the ages of 15 and29. These include the national level Kamyab Jawan programme and provincial reforms and programmes, including in skills development, entrepreneurship, and access to micro-credit. An additional investment in the adolescent cohort, aged 10-19, will be critical to actualize a comprehensive national effort for young people. This is the proposed focus for GenU Pakistan. To drive this focus forward, it is vital that a range of partners, including the private sector and development partners, further ramp up investments in Pakistan's adolescents and youth.

This study was commissioned by UNICEF in 2019, before the COVID-19 crisis, to provide an evidence base for investments in Pakistan's young people, and to guide choices for GenU Pakistan.

The study showcases the potential benefits and returns on investment if we invest in young Pakistanis now. These returns are immense in each of GenU's five thematic areas: education, skills training, employment, entrepreneurship and engagement. For example, the right investments in education could lead to a return on investment of 19.3 per cent for girls and 12.2 per cent for boys. Increasing development expenditure on education by 10 per cent per year would add 1 percentage point to GDP growth. Investments in technical and vocational education and training (TVET) could lead to a 7 per cent gain in worker productivity and better employment prospects. Employment-related training yields a 200 per cent overall return on investments, and expanding decent work would help Pakistan slash inequality – a major triumph, since reducing inequality by just 1 Gini point would produce economic growth of 5 per cent over the next five years. Investing in entrepreneurs has the potential to create high-growth firms and prompt knowledge spillover to the wider economy. Immense gains are expected if Pakistan ensures young people's engagement, participation and inclusion. The case for investing in Pakistan's young people is clear.

At this critical juncture, Pakistan's macroeconomic and fiscal challenges are being further exacerbated by the impacts of the COVID-19 pandemic. With schools and training institutions closed, and the economy shrinking, many young people stand to lose out at a crucial time in their lives. In this unfolding scenario, it is important not to lose sight of the need for consistent and tailored investments for young people's development. Indeed, efforts to engage young people, support their education, skills development, and build linkages to employment, are more critical than ever.

We hope that the findings of the study will help provide the underpinnings for sound investments in young people in Pakistan, inform an evidence-based investment agenda for GenU Pakistan, and facilitate robust partnerships to address the multiple challenges that young people face for their futures. By working together through GenU, we can unleash the immense positive potential of the young people of Pakistan.

Aida Melaku Girma
Representative
UNICEF Pakistan

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THE CASE FOR GENERATION UNLIMITED IN PAKISTAN

"Pakistan now has more young people that it has ever had, and this is forecast to continue to increase until at least 2050.[1]

65.4 million Pakistanis are between the ages of 10 and 24. Each year, 1.2 million more join their ranks. Yet, almost half of the country's young people (32.4 million) are not in education, employment or training (NEET). If their potential remains untapped, Pakistan's overwhelmingly young population will becoming increasingly disenchanted and incapable of contributing to sustainable social, economic and environmental development.

It is vital to listen to young people's needs and offer them tangible opportunities to contribute to peace, progress and prosperity. The road ahead will be challenging, given Pakistan's limited fiscal space and governance systems that have historically struggled to ensure efficient spending. **This is where Generation Unlimited comes in.**

[1] United Nations Development Programme, *Pakistan National Human Development Report: Unleashing the potential of a young Pakistan*, UNDP, Islamabad, 2018, <https://www.pk.undp.org/content/pakistan/en/home/library/human-development-reports/PKNHDR.html>

WHAT IS GENERATION UNLIMITED?

Generation Unlimited (GenU) is a new global partnership determined to meet the urgent need for education, training and employment opportunities for young people around the world. GenU involves a two-pronged approach:

Coordinating country level action through investment agendas; and

Identifying and scaling innovations at the global level, and brokering partnerships to deliver on these innovations.

WHAT DOES GENERATION UNLIMITED DO?

Connects education and training to employment and entrepreneurship.

Creates closer public-private partnerships in countries to source opportunities and pool investment to transform national outcomes for and with young people.

Scales innovations that address common challenges young people face.

GenU's **ultimate goal** is to create an ecosystem surrounding young people's progress, to innovate faster and better than ever before, and to ensure that all young people have the ability and opportunity to realize their potential.

WHICH GLOBAL KEY PLAYERS ARE BEHIND GENERATION UNLIMITED?

GenU's global multi-sector partnership draws together a range of partners – the private sector, governments, multilateral organizations, civil society and young people.

Co-chairs include António Guterres, United Nations Secretary-General, Paul Kagame, President of Rwanda, and Paula Mae Weekes, President of Trinidad and Tobago.

WHY GENERATION UNLIMITED IN PAKISTAN? WHY NOW?

GenU represents an unprecedented coalition of leaders coming together for, and with, young people. In Pakistan, GenU will:

- assemble a multi-stakeholder coalition to review the ecosystem in Pakistan;
- devise a country investment agenda;
- develop shared-value partnerships; and
- identify opportunities for scaling up promising solutions and increase cross-sector investments.

GenU's ability to coordinate a range of diverse partners is perhaps its greatest strength. Young people between the ages of 10 and 24 are at the heart of GenU, and the platform is ideally placed to work with all levels of government. The private sector – rather than being treated as a mere donor – is brought in as key strategic partners, able to deliver products or services that address unmet needs and provide opportunities for young people.

GenU's global presence and experience allows it to identify investments that can work for Pakistan, to help the country to convert its greatest challenge into a demographic dividend Through its extensive network, GenU can provide rapid access to quality evidence and cutting-edge, customized solutions tailored to Pakistan's context. GenU also has the expertise needed to leverage innovative financing models by identifying

investors – ranging from those seeking private returns to those committed to accelerating development outcomes. Blended finance products can be developed to increase the fiscal space for sustainable solutions.

GenU's power as a trusted platform stands to attract both private (for return) investors and private philanthropy. A recent study (GIZ, 2019) reveals that a large number of private businesses in Pakistan engage in charity, philanthropy and corporate social responsibility (CSR) initiatives. GenU envisages working with Pakistan's private sector to move beyond CSR and towards creating meaningful opportunities for young people in their companies (e.g. through internships, training and career-track positions). As current spending and investments that contribute to development outcomes are not well coordinated, most investors operate in silos, preventing them from bringing about major improvements. GenU offers a robust platform through which stakeholders across Pakistan, and beyond, can join hands to achieve shared objectives in a way that ensures a large-scale impact.

Pakistan is committed to achieving the Sustainable Development Goals (SDGs) by 2030. Both the SDGs and Pakistan's national development goals are in line with GenU's seven key priorities on education and training, employment, entrepreneurship, equity and engagement. By partnering with GenU, Pakistan can coordinate all funding, policy and strategic windows more efficiently, through a single platform.

Through GenU's collaborative approach, an investment of US$ 1 million is projected to result in a US$ 50 million impact on young people and society. By leveraging funding across sectors, GenU will mobilize significant investments from partners across sectors, resulting in a substantial impact for Pakistan's young people and society at large. GenU will work with the private sector to deploy capital towards return-earning investments that benefit young people. It will structure shared value partnerships to leverage the resources of both the private sector and governments to improve training, education and the economic environment. GenU will use its catalytic capital to help Pakistan leverage additional funding from development banks. Finally, GenU will build momentum across the country, resulting in increased resources devoted to the youth agenda.

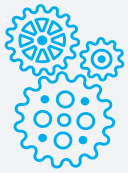
In a context where fiscal space and development budgets are shrinking, GenU can create the fiscal space Pakistan so urgently needs. The numbers say it all:

2-5x

social returns on targeted investments for young people

16%

average annual return on investment in each added year of schooling



200%

overall return on investments in employment-related training

US$ 50M

impact projected from a US$ 1 million investment via GenU's approach

If GenU can help Pakistan address the challenges it faces around young people's education, employment and engagement, the returns will justify investments of any scale.

SECTION 2

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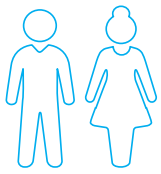
SETTING THE SCENE: YOUNG PEOPLE IN PAKISTAN

If Pakistan's large young population is prepared for the transition to adulthood, the country will turn its youth bulge into a demographic dividend – making the potential for progress unlimited. As the share of the working age population increases, and the fertility rate falls, countries attain higher income per capita – since output per worker remains stable, women's labour force participation increases, and the number of dependents decreases. This leads to increased savings which, in turn, spur capital accumulation and technological progress (Zoch, 2019). Potential gains in economic output and well-being depend on the productive capacity of each young person who enters the labour force.

Thus, Pakistan's young people will have to be educated, trained and connected opportunities for gainful employment, entrepreneurship and engagement if they are to contribute to economic growth and sustainable development. This section presents the scale of the challenge – from the sheer size of Pakistan's young population, to the challenges they face in terms of education, economic prospects and decent work, entrepreneurial activity, and engaged citizenship.



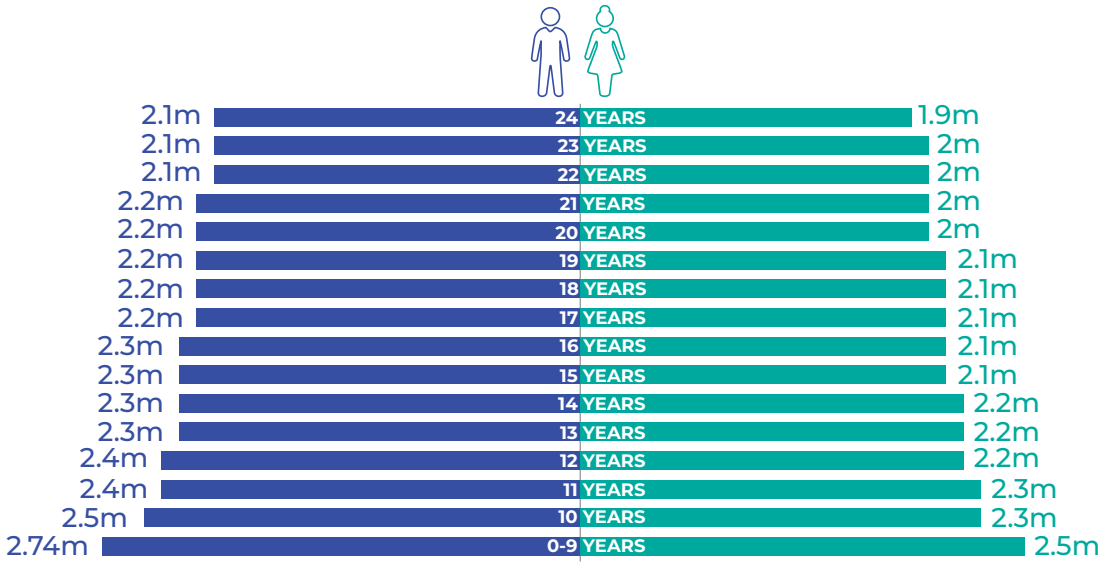
64.5

MILLION

Pakistanis are between 10 and 24-years old

2.1 SIZE OF PAKISTAN'S YOUNG POPULATION

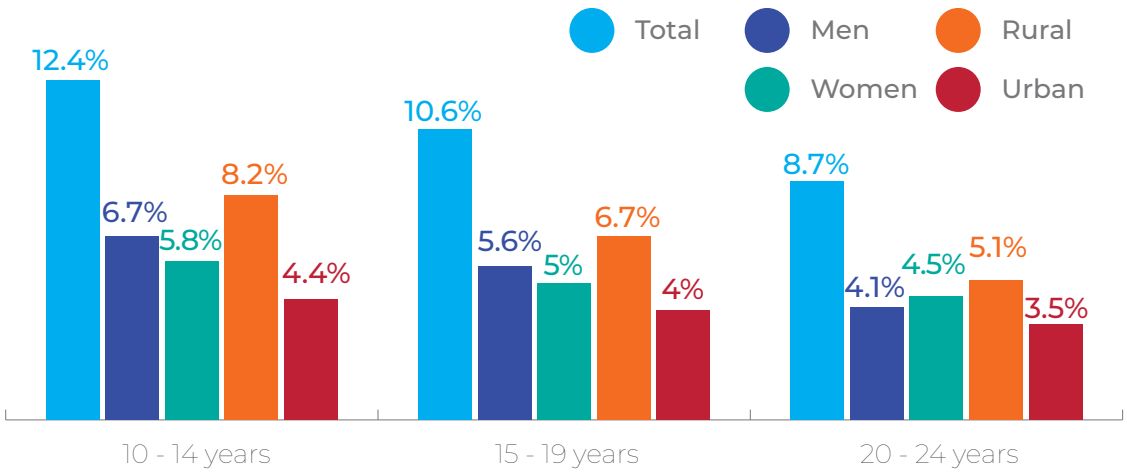
Figure 1. Pakistan's population pyramid, millions of 0 to 24-year-olds



Source: World Population Review, *Pakistan Population by Age*, WPR, Walnut, CA, 2019, <http://worldpopulationreview.com/countries/pakistan-population/#undefined>

Well over half (64 per cent) of Pakistan's population is under the age of 30. Almost 30 per cent of Pakistanis (65.4 million) are between 10 and 24-years-old – the target group for GenU – encompassing 33.8 million boys and young men, and 31.6 million girls and young women. With 54 million Pakistanis under the age of nine, at least 1.2 million more young people will enter the 10-24 age bracket each year. As the population is expected to grow at an average rate of 1.9 per cent between 2017 and 2030, the country's overall population will grow to a projected 280 million by 2030, of whom 100 million will be young people. Proportionately more young people will enter the critical 20-24 age bracket over the coming years. As Figure 2 reveals, the proportion of young men and rural young people entering this age group will be especially high. It is also clear that a large proportion of young Pakistanis live in rural areas, where opportunities are scarce and, at best, informal. This makes the challenges facing Pakistan's young people particularly complex.

Figure 2. Population distribution of young people by gender and geographical setting, 2017-2018 (%)



Source: Government of Pakistan, *Pakistan Labour Force Survey 2017-18*, Pakistan Bureau of Statistics, Islamabad, 2018.

2.2 EDUCATION

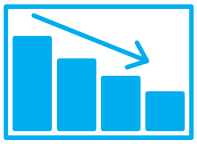
2.2.1 ACCESS TO EDUCATION FOR YOUNG PEOPLE

Article 25-A of Pakistan's Constitution commits the state to providing "free and compulsory education to all children" between the ages of five and 16. Despite this, challenges to universal, quality education abound.

Pakistan is among the lowest spenders on education in South Asia. An average of 2 per cent of Pakistan's GDP is spent on education each year – far short of the estimated 5 to 6 per cent needed to educate all of the children in Pakistan, and far behind the South Asian average of 4 per cent and the global average of 4.8 per cent.

Data on education infrastructure and enrolment numbers (see Figures 3 and 4) demonstrate that not only is the size of spending low, but the balance is skewed in favour of primary education. While large numbers of out-of-school children confirm that substantial investment gaps persist in primary education, even bigger gaps exist in secondary education. The number of middle and high schools in Pakistan is just a small fraction of the number of primary schools. Gender balance also worsens as the level of education rises – opportunities for girls shrink more significantly at the middle and secondary school levels, as there are too few secondary schools for girls. This creates a funnel effect: as children pass the age of 10, their access to education shrinks, with a particularly pronounced effect on girls and young women.

The impact of reduced access to education is clear. Enrolment in Pakistan drops from 22.5 million at the primary level to 7 million at the middle school level. Girls' schools are particularly hard hit, with a lack of facilities cited as a leading reason for female dropouts from middle and secondary schools.



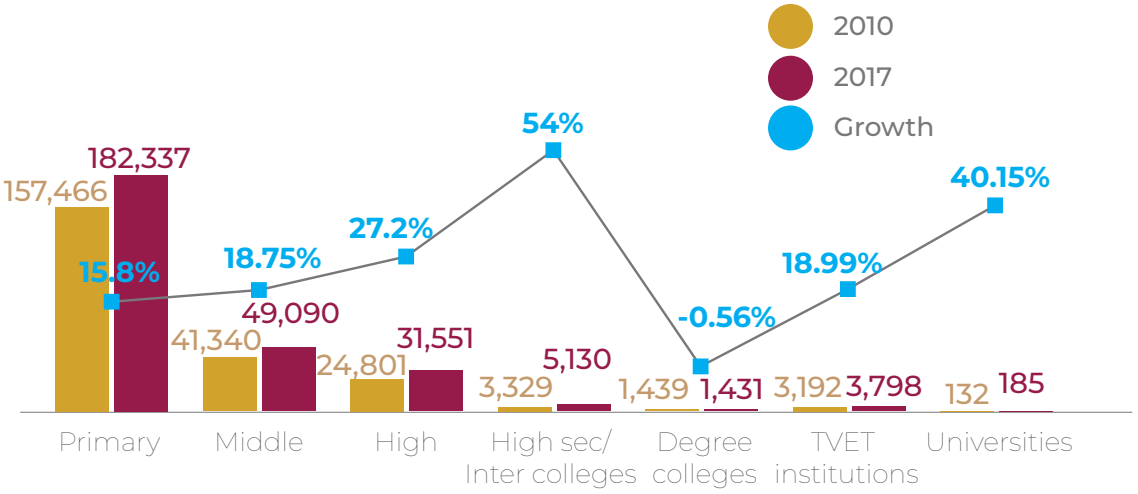
2% GDP

spent on education by Pakistan, half the South Asian average

7 MILLION

children are in secondary education, vs **25 million** in primary

Figure 3. Number of educational institutions by level of education, 2017



Source: Government of Pakistan, *Pakistan Education Statistics*, Academy of Educational Planning and Management (AEPAM), Islamabad, 2017.

Table 1. Enrolment numbers by level of education, 2018

Age	Not attending	Pre-primary	Primary	Lower secondary	Upper secondary	Intermediate
9	23.8	1	69.9	5.3	0.1	0
10	18.8	0.7	55	25.4	0.1	0
11	32.1	0.1	31.4	36	0.5	0
12	33.7	0.1	16.5	43.5	6.2	0
13	39	0.1	6.6	33.5	20.7	0.1
14	45.5	-	2.7	17.1	32	2.7
15	53.4	-	1.3	7.8	26.6	10.1
16	57	-	0.6	3.1	15.6	21.7
17	70.4	-	0.2	1.5	8.4	14.6

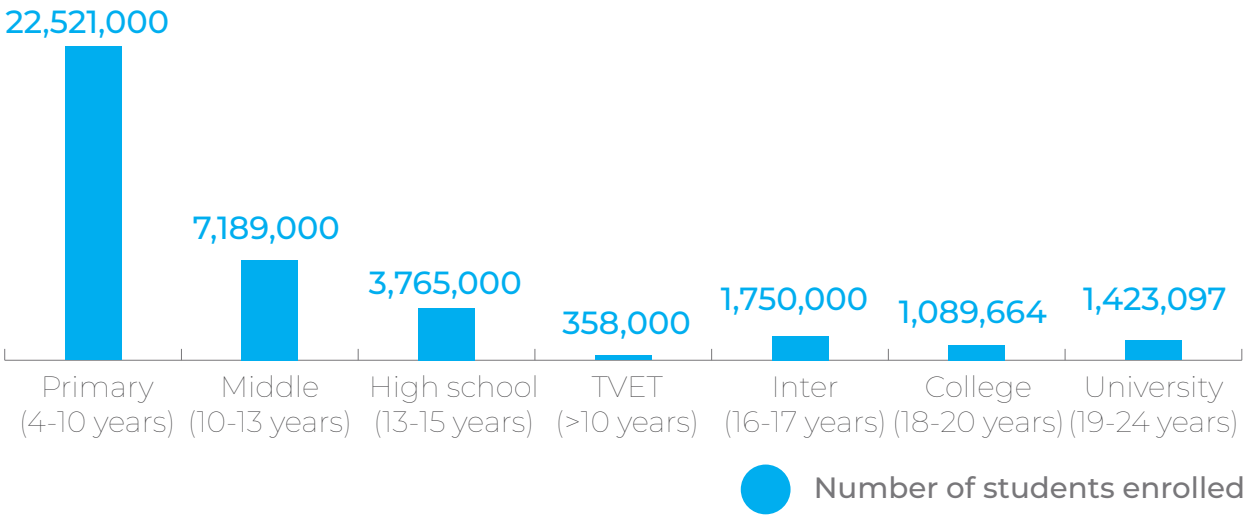
Source: Government of Pakistan, *Pakistan Economic Survey 2018-2019*, Ministry of Finance, Islamabad, 2019.

The private sector is a major player in Pakistan's education sector. At the middle, high, higher secondary school levels, the private sector operates a higher proportion of educational institutions than the public sector and caters to a smaller number of students. Evidence collected by the Academy of Educational Planning and Management[2] reveals that:

- **49,090** middle schools exist in Pakistan, 34 per cent of which are public sector schools and 66 per cent are private sector institutions.
- **62 per cent** of middle school students attend public schools, while 38 per cent attend private schools.
- **31,551** high schools exist in Pakistan, of which 42 per cent are public institutions and 58 per cent are private.
- **68 per cent** of high school students attend public schools, while 32 per cent attend private high schools echoing trends observed in middle school education.
- **5,130** higher secondary/ inter colleges operate in Pakistan, of which 39 per cent are public institutions and 61 per cent are private.
- **88 per cent** of students at this level attend public institutions, despite the fact that there are far more private higher secondary/ inter colleges in the country.
- **1,431** degree colleges exist in Pakistan, 89 per cent of which are public sector institutions, with very few (11 per cent) private sector institutions at this level.
- **86 per cent** of students at this level attend public degree colleges, while private institutions cater to the remaining 14 per cent.
- **189** universities exist in Pakistan, 59 per cent of which are public sector institutions attended by 81 per cent of university students. The remaining 41 per cent of universities are private institutions, serving 19 per cent of university students.
- **32,272** *madrassas* or *Deeni Madaris* (religious seminaries) exist in Pakistan, 97 per cent of which are private sector institutions. These cater to 2.19 million children and young people – 97 per cent of those enrolled in this form of education.

[2] Data on private schools from *Pakistan Education Statistics 2016-17* – by AEPAM, UNICEF and UNESCO – is based on the 2005 census and corresponding projections. The projections appear to be linear and exclude calculations based on the exponential growth of private education.

Figure 4. Children and young people in school, by age and level of education, 2014 (%)

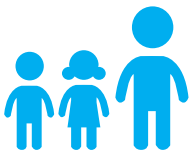


Source: Author's calculations based on the Government of Pakistan, *Pakistan Social and Living Standards Measurement Survey 2013-14*, Pakistan Bureau of Statistics, Islamabad, 2014.

This data suggests that the private sector occupies a much larger space than the public sector in terms of education infrastructure, although enrolment remains higher in public institutions. One reason for this may be the relatively higher costs of private education.

What is clear is that the imbalance in educational infrastructure prevents millions of children from attaining an education. AEPAM estimates that approximately 6.5 million 10 to 12-year-olds and 11.3 million 13 to 16-year-olds in Pakistan are out of school.

Looking at the number of out-of-school children in Pakistan only highlights one aspect of deprivation. 'Over-age' enrolment – that is, the proportion of children who are too old for the level of education they are attending – is another critical factor. The greater the number of over-age children in school, the greater risk that they will leave school without sufficient educational attainment. The table above reveals a high proportion of over-age children at every level of education in Pakistan, who are consequently at risk of dropping out. For example, a large number of young people between the ages of 13 and 17 are still in primary education, while several 15 to 17-year-olds are enrolled in lower secondary education. This points to the urgent need to improve the transition from primary to middle school and from middle to secondary education, introduce remedial learning, fast-track over-age students and create links with technical and vocational education and training. Gender differences must also be considered. A greater proportion of girls do not attend school, while over-age enrolments are lower for girls (see Figures 5 and 6).



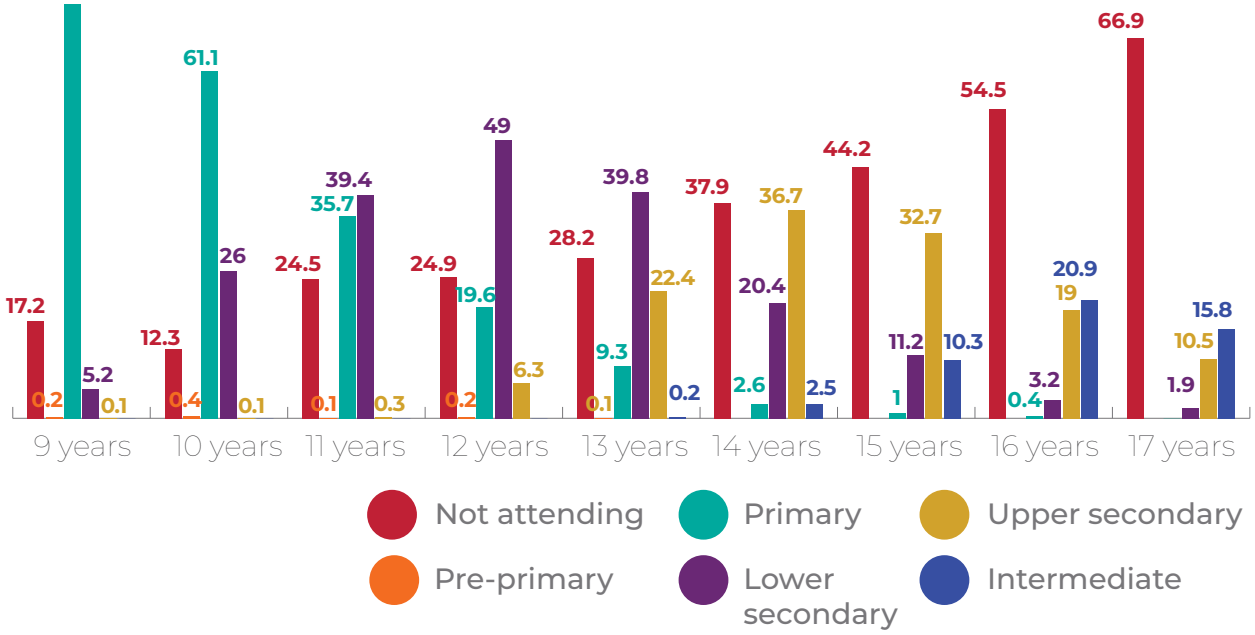
OVER-AGE

enrolments are high across all levels of education

PRIVATE SECTOR

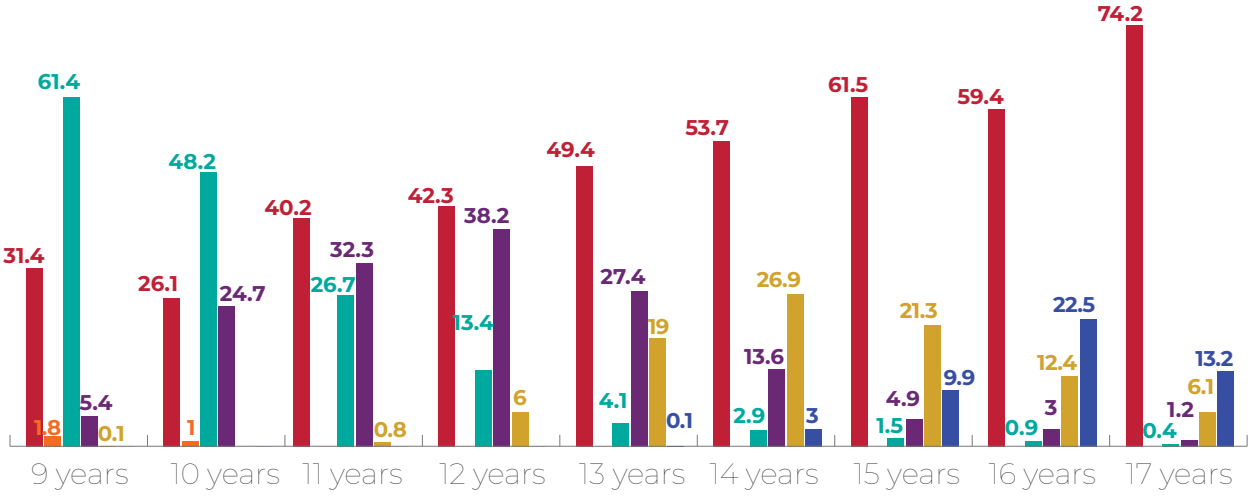
educational institutions outnumber public institutions, but cater to a smaller number of students

Figure 5. Boys and young men in school, by age and level of education, 2014 (%)



Source: Author's calculations based on the Government of Pakistan, *Pakistan Social and Living Standards Measurement Survey 2013-14*, Pakistan Bureau of Statistics, Islamabad, 2014.

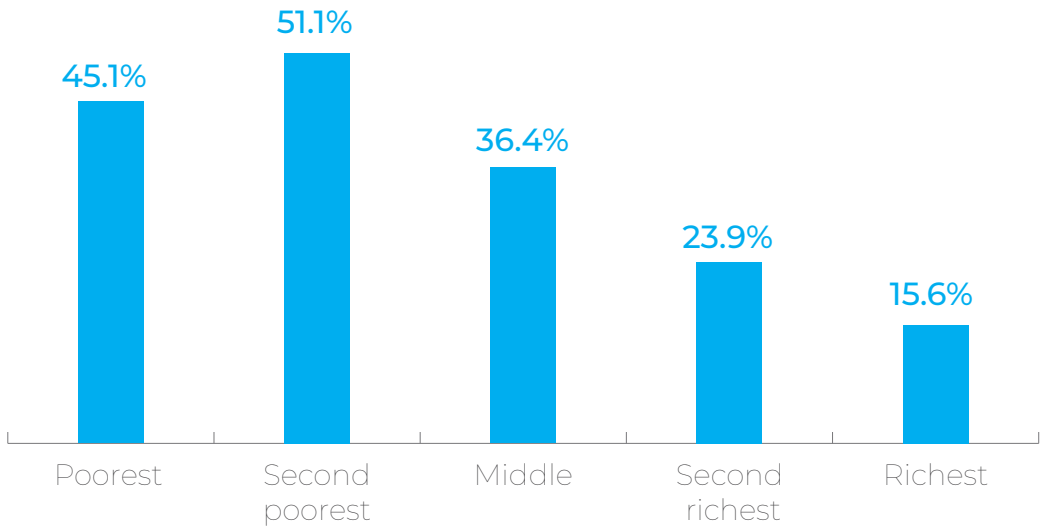
Figure 6. Girls and young women in school, by age and level of education, 2014 (%)



Source: Author's calculations based on the Government of Pakistan, *Pakistan Social and Living Standards Measurement Survey 2013-14*, Pakistan Bureau of Statistics, Islamabad, 2014.

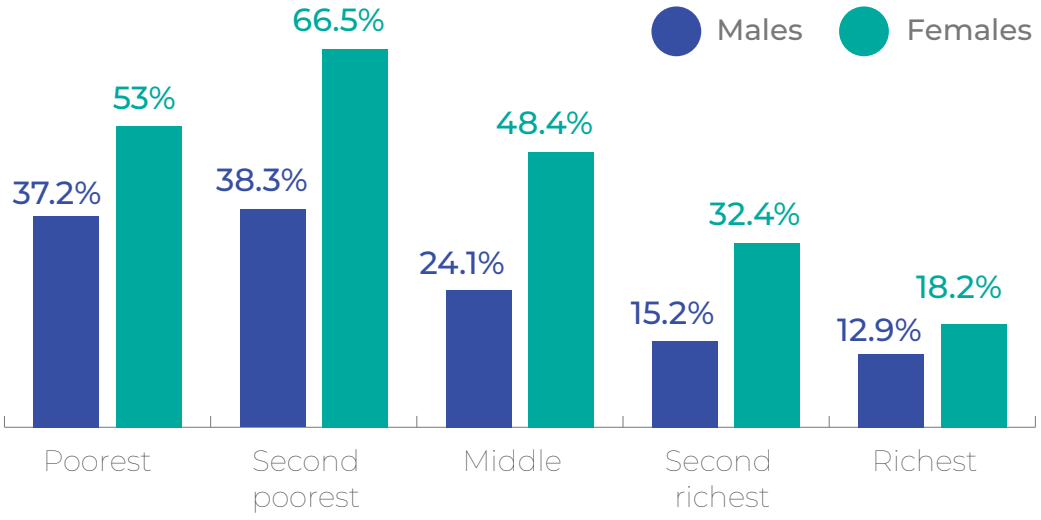
Household wealth also has an impact on enrolment. As Figure 7 illustrates, significant fewer children between 10 and 13 years old are out of school among richer households. Pakistan's poorest children are three times more likely to drop out, compared to children from the country's wealthiest households. This suggests that measures to boost household income can have a significant impact on reducing the number of out-of-school children. More girls are out of school than boys across all wealth quintiles, with an especially high proportion among Pakistan's poorest households. As a result, many girls deprived of an education have limited employment prospects, restricting them the roles of domestic servants, home-based or unpaid family workers.

Figure 7. Out-of-school children at the lower secondary level (aged 10-13) by wealth quintile, 2014 (%)

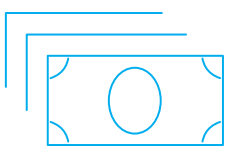


Source: Author's calculations based on the Government of Pakistan, *Pakistan Social and Living Standards Measurement Survey 2013-14*, Pakistan Bureau of Statistics, Islamabad, 2014.

Figure 8. Out-of-school children at the lower secondary level by gender and wealth quintile, 2014 (%)

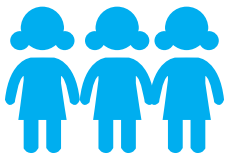


Source: Author's calculations based on the Government of Pakistan, *Pakistan Social and Living Standards Measurement Survey 2013-14*, Pakistan Bureau of Statistics, Islamabad, 2014.



3x

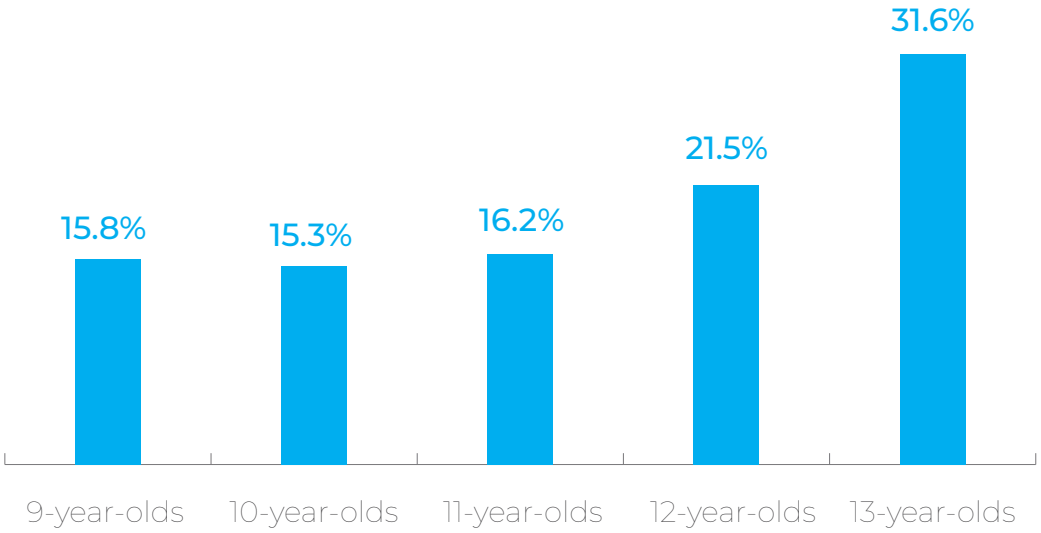
more likely that Pakistan's poorest children will drop out of school vs the wealthiest



MORE GIRLS

are out of school across all wealth quintiles, especially the poorest

Figure 9. Out-of-school children (aged 9-13) who are child labourers, 2014 (%)

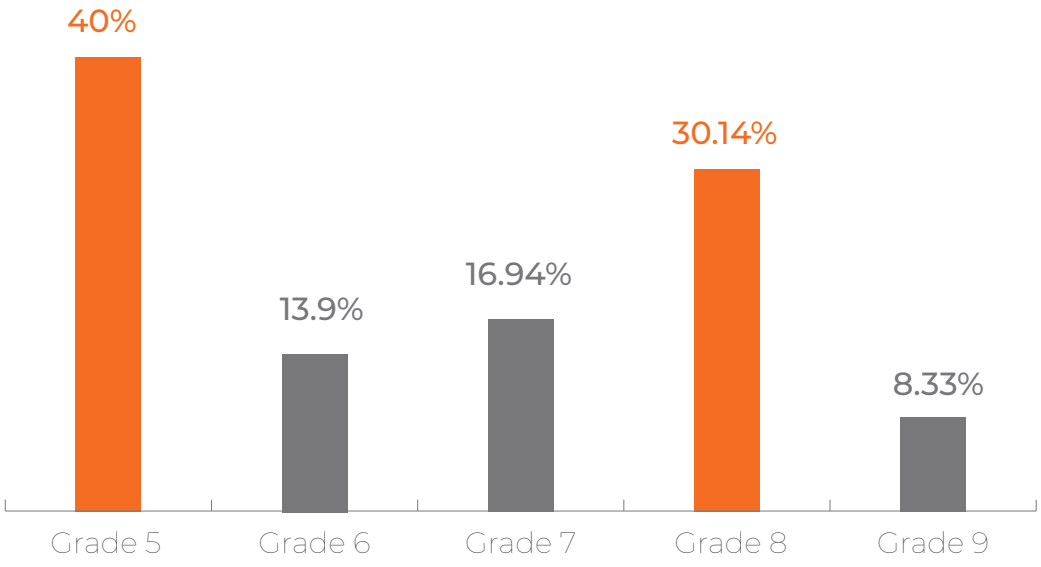


Source: Author's calculations based on the Government of Pakistan, *Pakistan Social and Living Standards Measurement Survey 2013-14*, Pakistan Bureau of Statistics, Islamabad, 2014.

Child labour is an outcome of high rates of poverty and children being out of school. As the figure above illustrates, significant proportions of out-of-school children between the ages of 9 and 13 are child labourers, with the highest prevalence among 13-year-olds.

High dropout rates are prevalent across Pakistan, with children of the ages of 10 (Grade 5) and 13 (Grade 8, the last year of middle school) at the greatest risk of dropping out. This suggests that a blanket approach is unlikely to curb dropout rates and reduce the number of out-of-children in Pakistan; instead, a targeted approach is needed at the points of 'maximum impact' (see Figure 10).

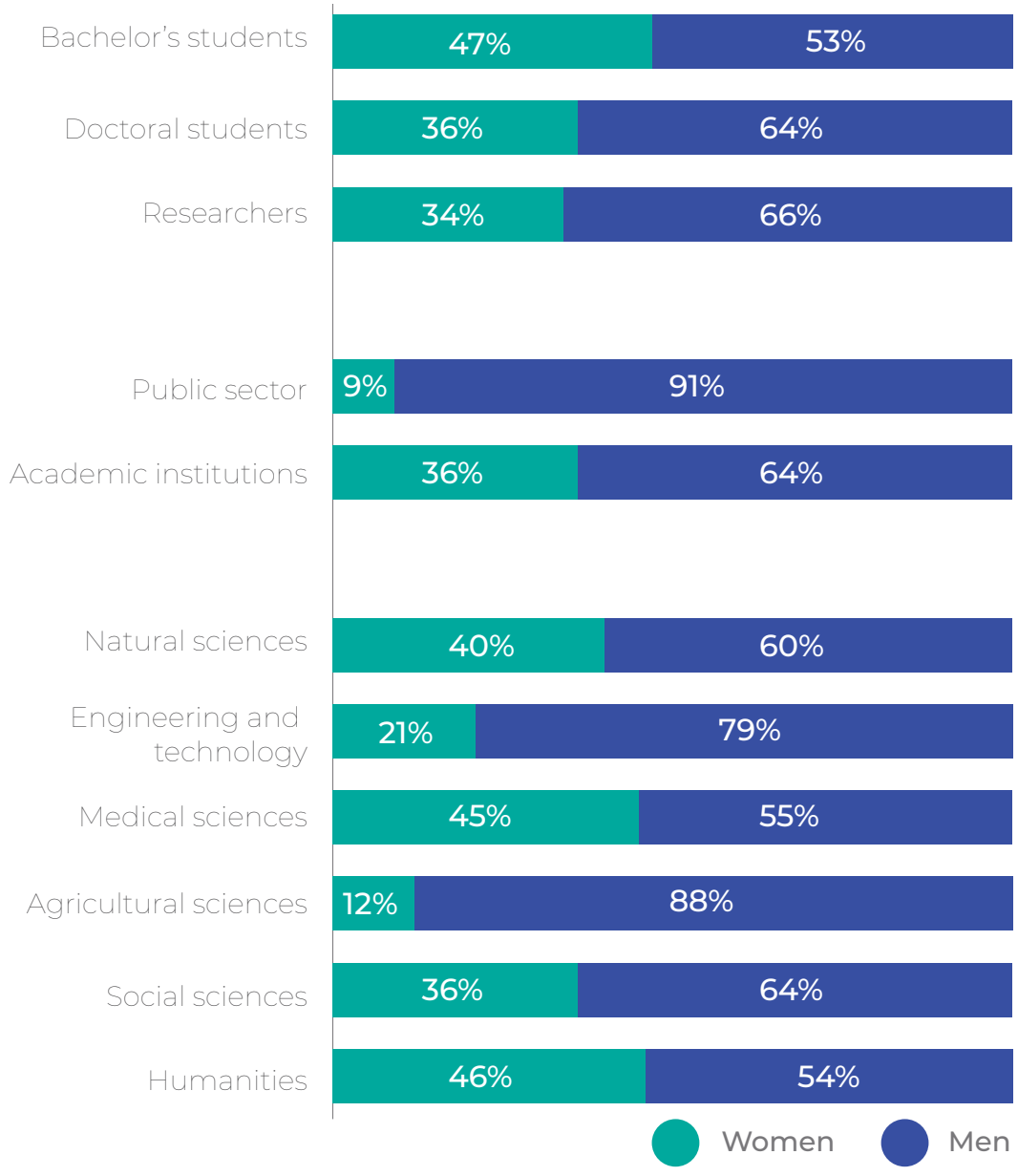
Figure 10. Dropout rates, 2014 (%)



Source: Author's calculations based on the Government of Pakistan, *Pakistan Social and Living Standards Measurement Survey 2013-14*, Pakistan Bureau of Statistics, Islamabad, 2014.

Gender disparities also abound across fields of education. Women and girls in Pakistan are severely underrepresented in all science, technology, engineering and mathematics (STEM) subjects. While more women are enrolling in university, relatively few pursue careers in research and innovation. There are many leaks in the pipeline – from stereotypes encountered by girls to the pressure placed on them by care responsibilities, and the bias women may face when choosing a career. Women researchers tend to work in the academic and government sectors, while men dominate the private research sector, which offers better salaries and opportunities for advancement. Even in the public sector, women are significantly underrepresented (9 per cent) compared to men (91 per cent).

Figure 11. Gender breakdown of educational levels and fields in Pakistan



Source: United Nations Education, Science and Cultural Organization, *National Dialogue on Women in Science – Pakistan*, UNESCO, Islamabad, 2019, <https://en.unesco.org/events/national-dialogue-women-science-pakistan> accessed 17 February 2020

2.2.2 QUALITY OF EDUCATION

Pakistan, like other countries in the region, is facing a 'learning crisis' – simply put, many children in school are learning too little. Learning poverty afflicts a high number of Pakistan's children – that is, they are unable to read or understand a short, age-appropriate text by the age of 10. Learning poverty is 16.3 percentage points worse in Pakistan than the average for South Asia and 19.5 percentage points worse than the average for lower middle-income countries.

While all foundational skills are important, reading is especially so because: (i) reading proficiency is an easily understood measure of learning, (ii) reading is a student's gateway to learning in every other area, and (iii) reading proficiency can serve as a proxy for foundational learning in other subjects, in the same way that the absence of child stunting is a marker of healthy early childhood development. However, Pakistan's performance on this indicator is exceptionally weak:

Since both better learning performance and equity start with 'raising the floor', the fact that many students are not reaching even minimum proficiency in literacy and numeracy – many of whom are from poorer, disadvantaged, and marginalized households backgrounds – is a major concern. Recent results from the initial round of PISA for Development (PISA-D) reveal that there is a learning crisis at the top, too. The middle class and 'statistical elites' are not escaping the miasma of poor education systems. Weak systems are failing to deliver adequate learning, even to the relatively privileged children (Pritchett, 2019).

Eliminating learning poverty is as urgent as ending extreme monetary poverty, stunting or hunger. Thus, there is a clear need for investments in Pakistan to overcome learning poverty. In its analysis of the learning crisis in low- and middle-income countries, the World Bank suggests that deficits in education outcomes are a major contributor to human capital deficits.

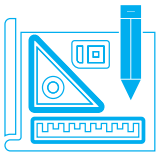
Thus, shortcomings in the quantity and quality of education are at the heart of human capital challenges in Pakistan. Addressing these shortcomings will require a multi-sectoral approach, guided by the application of effective indicators, such as the World Bank's 'learning poverty' indicator. In Pakistan, there is a need to increase the quality of teachers and teaching to ensure that students learn and perform at par with developed economies. Diversified curricula and teaching practices need to be integrated into mainstream education to impart the skills that students need to become productive and engaged citizens – including technical and transferable skills, digital literacy skills, and other skills that underpin workforce readiness.

75%

of children in Pakistan of late primary school age are not proficient in reading, adjusted for out-of-school children

27%

of primary school-aged children are not enrolled in school and are, therefore, excluded from learning in school



65%

of Pakistani students do not achieve a minimum proficiency level (MPL) by the end of their primary education[3]

[2] This calculation is based on proxy data on Grade 4 students, collected in 2014 by large-scale learning assessments.

2.3 TRAINING PAKISTAN'S YOUNG PEOPLE

2.3.1 ACCESS TO TVET

Based on current trends, only 40 per cent of Pakistan's children are on track to complete secondary school and learn basic skills by 2030 (Global Business Coalition for Education and Education Commission, 2019). Many young Pakistanis emerge from the education system without the skills or confidence to thrive in the labour market. Even where students complete their formal education, many learn few 'things of value' (Khan et al., 2019). This puts pressure on other strands of learning, most notably technical and vocational education and training (TVET).

The TVET system in Pakistan encompasses two streams: technical education and vocational education.[4] These are delivered through polytechnics, vocational training centres, apprenticeship schemes under the Apprenticeship Act, and the informal *ustad-shagird* training model. Of the 3,278 TVET institutions operational across Pakistan, 1,033 (31.5 per cent) offer technical education programmes, and 2,245 (68.5 per cent) provide vocational training services. Public sector institutions predominantly deliver technical education, while vocational training is largely provided by private institutions.

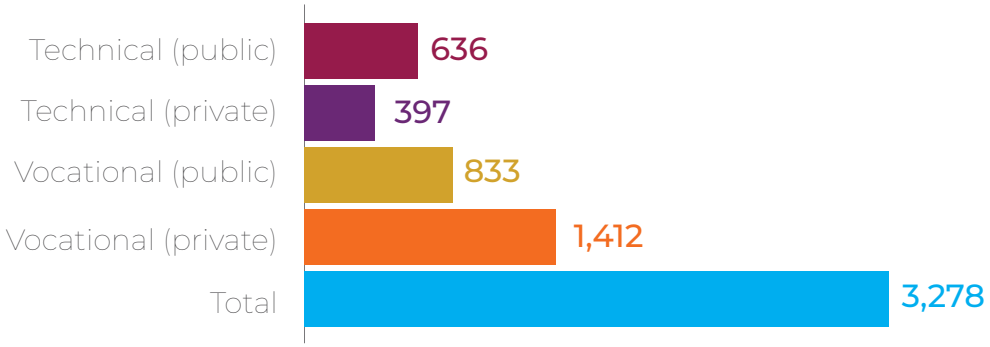
433,000

students are enrolled in TVET institutions, this number is far below the

32 MILLION

young people not in education, employment or training (NEET) in Pakistan

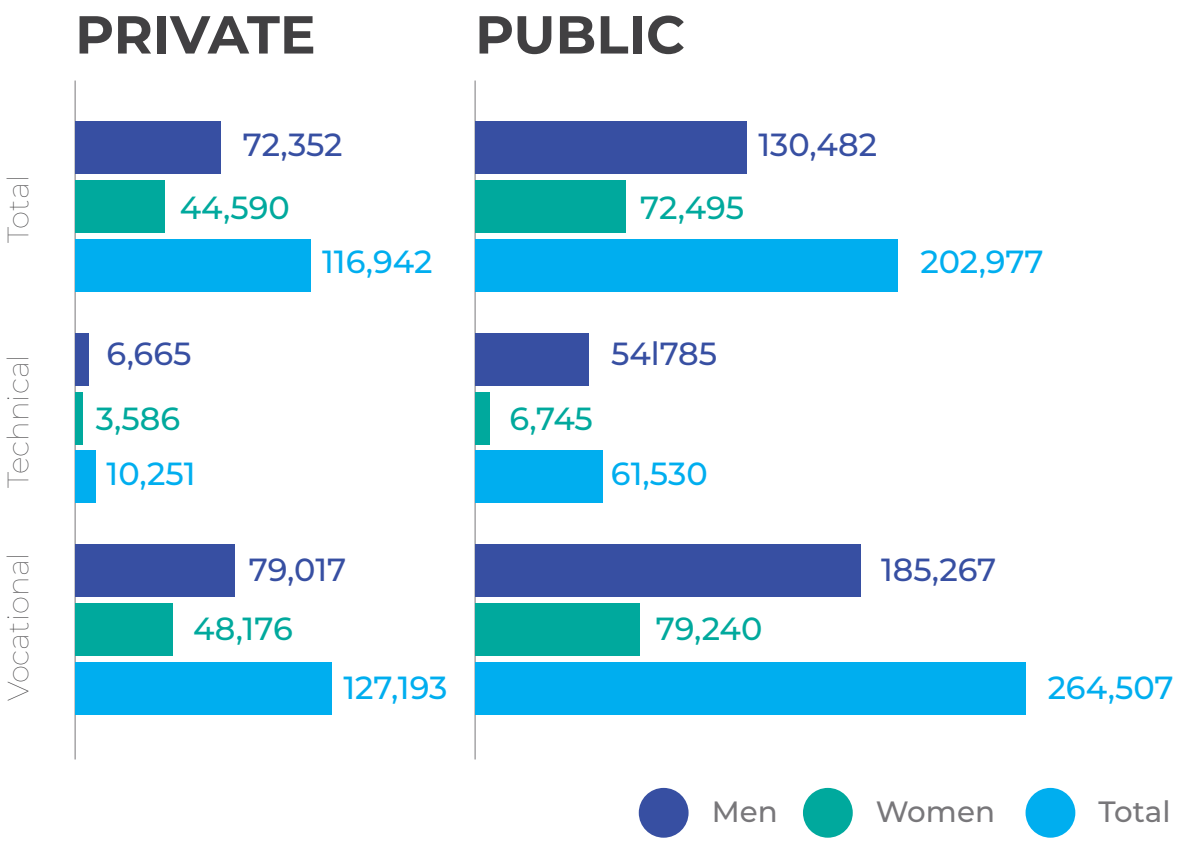
Figure 12 TVET Institutions in Pakistan, (number)



Source: GIZ and National Vocational and Technical Training Commission, *Comparative analysis of the TVET sector in Pakistan*, GIZ and NAVTTC, Islamabad, 2017, <http://www.skillingpakistan.org/files/1/Comparative%20Analysis%20of%20TVET%20Sector%20in%20Pakistan.pdf>, accessed 13 February 2020 (most recent data).

[1] Technical education includes a three-year Diploma in Associate Engineering (DAE), a three-year Bachelor in Technology and a four-year Bachelor in Technology (Honours). Vocational education includes vocational courses lasting from between six months to one, two and three years. Entry into vocational trade courses is after grade 8, in vocational certificates and DAE is grade 9 (USAID, 2013).

Figure 13. Number of students enrolled in TVET institutions



Source: GIZ and National Vocational and Technical Training Commission, *Comparative analysis of the TVET sector in Pakistan*, GIZ and NAVTTC, Islamabad, 2017, <http://www.skillingpakistan.org/files/1/Comparative%20Analysis%20of%20TVET%20Sector%20in%20Pakistan.pdf>, accessed 13 February 2020 (most recent data).

Table 2. Returns on education and TVET, 2014-15 and 2017-18 (%)

	2014-15			2017-18		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
1 year of work experience	5.1	5.0	5.3	4.7	4.6	4.7
Middle	4.4	4.3	4.7	4.4	4.7	3.9
Lower secondary	6.0	6.1	5.9	5.9	6.2	5.3
Higher secondary	8.3	8.5	7.9	7.6	8.3	6.4
Degree	130.2	128.2	133.4	119.8	120.9	118.1
TVET	10.5	10.5	10.8	0.214	0.0	0.16

Source: Author's calculations based on the Government of Pakistan, *Labour Force Survey 2017-18* and *Labour Force Survey 2014-15*, Pakistan Bureau of Statistics, Islamabad, 2018 and 2015.

As with the rest of Pakistan's education system, TVET is hampered by its small scale and issues of quality. Recent literature (Khan et al., 2019) argues that TVET is characterized by:

- a mismatch between demand and supply, as skills imparted are often of little relevance to the labour market;
- a limited focus on soft skills development, leaving most young TVET graduates without the skills to work productively; and

- the inadequate quality of training content and techniques are of inadequate quality and has limited relevance to market needs.

Labour market outcomes reflect challenges in Pakistan's education and TVET systems. Based on wage data, regression analysis reveals expected returns on education and training (see Table 1).

The highest returns are on each additional year of university education. However, these returns declined significantly between 2014 and 2018. The greatest drop is apparent in returns on technical training. While in 2014, technical training increased earnings by more 10% for both women and men, in 2018 there were no wage gains from taking a technical training course. Although returns on other levels of education are positive, for technical education, they are either flat lining or declining.

Clearly, there is a need to invest in the scale of TVET, as well as to improve its relevance. To this end, greater connectivity and partnerships with employers, avenues for self-employment and entrepreneurship are essential. Moreover, at present there is no focus or availability of courses that provide training for re-skilling or life-long learning – both vital so that young people can stay competitive in the job market. As a result, in a large number of young Pakistani workers remain stagnant in their current jobs, unable to progress and grow. This can be addressed by including training programmes that deal with life-long education and skills training that contributes to meaningful human capital progress.

2.3.2 QUALITY OF TRAINING

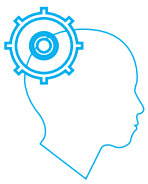
It is also vital to invest in TVET that equips young people with the skills they need to succeed in the 21st century – skills that run the gamut from life skills to workforce skills, applied skills, personal skills, interpersonal skills and non-cognitive skills. Most of these are 'soft skills', largely neglected by the current education system. These skills must be nurtured by Pakistan's education and TVET system so that young people can excel as creative learners, enter the workforce as motivated achievers, make informed decisions, thrive as responsible citizens, and contribute to sustainable development.

10%

increase in earnings for women and men who engaged in technical training in 2014, vs

0%

increase in earnings for technical training participants in 2018



NO FOCUS

on re-skilling or life-long learning in TVET in Pakistan

2.4 EMPLOYMENT

2.4.1 UNDERSTANDING THE NATIONAL ECONOMY

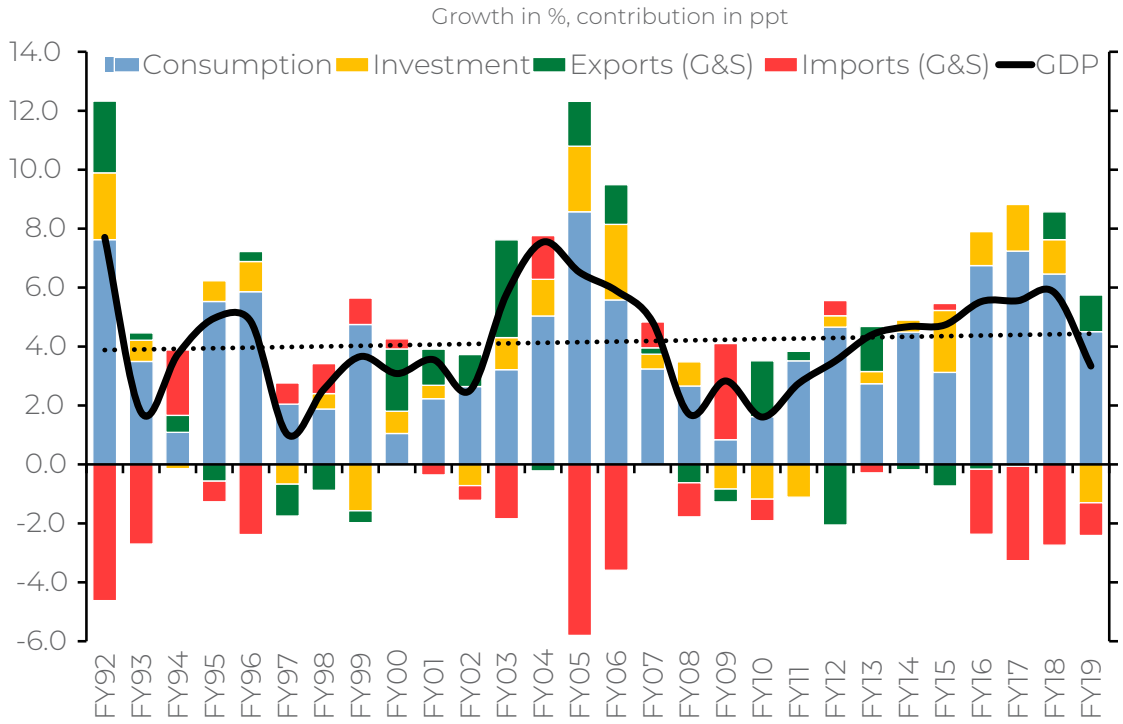
For the past 20 years, Pakistan's economy has been characterized by repeated cycles of boom and bust (see Figure 14). These cycles tend to coincide with electoral or political cycles, leaving new governments to face balance-of-payments crises. In response, governments resort to stabilization programmes and external borrowing. The injection of borrowed reserves fuels consumption and imports, subsidized by an artificially appreciated exchange rate. Without a simultaneous increase in investments and exports, this surge in consumption creates a short-term, superficial recovery that soon dissipates when reserves dry out.

As a result, Pakistan's annual GDP growth rate was 4.94 per cent, on average, between 1952 and 2018. This is far lower than rates in other developing economies, such as India or China. A lack of sustained structural reforms is a major reason for Pakistan's slow economic growth. The value of national exports, the savings rate, private investment and human capital productivity all reflect subpar performance. Structural challenges disadvantage Pakistan's young people, reducing the economic opportunities available to them. While macroeconomic stabilization is regarded as a medium- to long-term fix, the problem of Pakistan's growing young population is immediate. Therefore, immediate extraordinary efforts are needed, beyond waiting for long-term economic stabilization. Crucially, external players – including the private sector and development partners – will have to join hands with the public sector, pooling their expertise and resources to unleash the immense potential of Pakistan's youth.

The macroeconomic challenges Pakistan faces reveal structural deficiencies and sensitivity to both external and internal deficits. Recent figures suggest that the fiscal deficit has deteriorated. Although the current account shows signs of slight improvement, this appears to be a temporary fix managed by curtailing imports. However, restricting imports will have an impact on the growth of manufacturing, due to increased input prices and reduced availability. Between March and December 2019, capital markets experienced significant tightening, with the policy rate increasing by almost 7 per cent. Pakistan's currency depreciated in excess of 35 per cent, while inflation rose to 6.8 per cent in the first nine months of the 2019 fiscal year (FY). Macroeconomic fragility and stabilization efforts have reduced the growth projection for FY 2019 to 2.9 per cent, or lower, far below the earlier target of 6 per cent (SBP, 2019). Previously, the Planning Commission of Pakistan suggested an average annual target of 5.4 per cent in GDP growth between 2019 and 2023. Recent projections, by contract, have lowered this projection by almost 1 per cent.[5] The current slowdown has direct implications for the ability of Pakistan's economy to create employment opportunities, including for the millions of young people entering the labour market, year on year.

[5] In the long-term, Pakistan's annual GDP growth rate is projected to trend at 4.50 per cent. For more information, see: https://tradingeconomics.com/pakistan/gdp-growth-annual

Figure 14. Pakistan's GDP growth and its drivers, 1992-2019 (%)



Source: Pakistan Bureau of Statistics, figure taken from Baqir, Reza, *From inward to outward: Changing the orientation of our economy*, State Bank of Pakistan, Islamabad, 2020, <https://cdpr.org.pk/wp-content/uploads/2020/01/Governor-SBP-presentation-for-Sharing.pdf>, accessed 13 February 2020.

2.4.2 YOUNG PEOPLE'S LABOUR MARKET PROFILE

Around 42.6 million Pakistanis are between 15 and 24 years old. A huge number (18.05 million) are not in employment, education or training (NEET).

Men make up 77.5 per cent of Pakistan's labour force, accounting for 78 per cent of employed workers and 67.8 per cent of the unemployed. As such a large share of Pakistan's overall population is young, these figures suggest high levels of unemployment among young men. This is a major challenge, as men are expected to be breadwinners for their families. In the absence of meaningful opportunities, they may become increasingly disenchanted. Some may turn to harmful activities; most will be ground down by poverty, without an adequate income to support themselves or their families. The main determinants of unemployment at the aggregate level are: (i) a lack of inclusive GDP growth, (ii) limited foreign direct investment, (iii) a lack of firm, farm or enterprise level productivity, and (iv) inflation (Mahmood et al, 2014). Limited opportunities constrain young people's drive to attain skills, which feeds into growing unemployment.

It is equally clear that women's labour market participation is extremely low in Pakistan (22.5 per cent). The reasons for this go beyond mere unemployment. Above all, women face unique challenges to entering the labour force. If they never enter, they cannot be counted as 'unemployed', regardless of the deprivation that they experience.

Factors that affect women's work force participation include: (i) cultural norms, (ii) mobility issues, (iii) a lack of co-working spaces and skills, and (iv) perceptions that limit opportunities for women.

To address these challenges, it may be useful to consider a life cycle analysis approach, which suggests that women do better when the 'control environment'

22.5%

overall women's labour market participation

18.2

MILLION

young people are in the labour force; the older the age group, the more men and fewer women there are

10%

unemployment rate among young Pakistanis

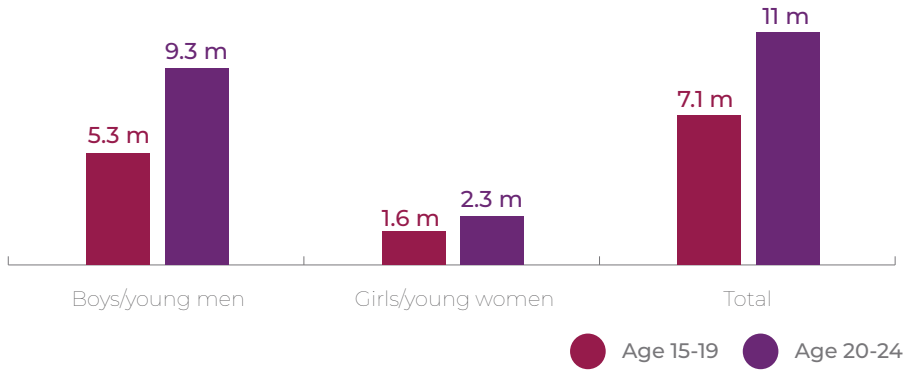
is flexible – that is, when the focus is not on 'pressure to perform', but rather on 'improving performance'. Built over time, control environments comprise preconceived perceptions, views and opportunities. For example, when children join school, their parents may have preconceived ideas about which subjects are 'appropriate' for girls and boys. These perceptions tend to re-emerge at the university level and within the job market, as the control environment's pressure to perform diminishes women's prospects for meaningful participation. Greater awareness and tailored solutions are required to support women to participate and excel in the labour market.

Over half of Pakistan's 20 to 24-year-olds are part of the labour force, with an average unemployment rate of 10 per cent – almost twice the overall national unemployment rate. Available evidence also indicates that many young people drop out of education or training between the ages of 15 and 29 to begin work.

As discussed above, there are 65.4 million young people between the ages of 10 and 24 in Pakistan, with roughly equal numbers of young women and men. Based on this total population and labour force participation estimates, approximately 18.2 million young people between the ages of 15 and 24 yare engaged in the labour force. Among their ranks are 7.1 million 15 to 19-year-olds, and 11.1 million youths between the ages of 20 and 24. The older the age group, the more men there are in the labour force – suggesting that young men's economic activities increase, while young women's decrease, as they grow older. Based on projected growth rates, approximately 400,000 additional young people will join the labour force every year.

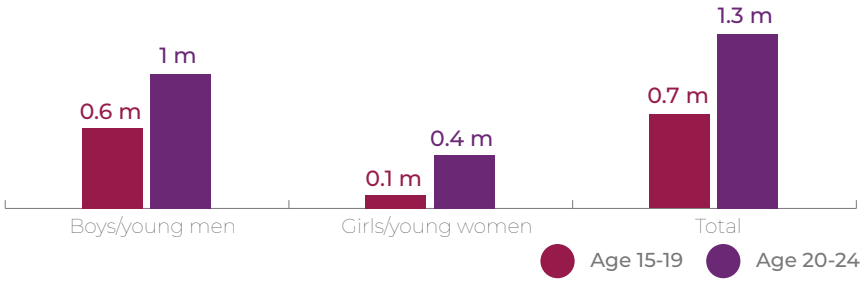
The figures below present data from two data sets – the more recent 2019 World Population Review and the Government of Pakistan's 2017-2018 Labour Force Survey. Data from both sources has been used to produce the estimates in this report.

Figure 15. Young people in Pakistan's labour force (aged 15-24), 2019 (millions)



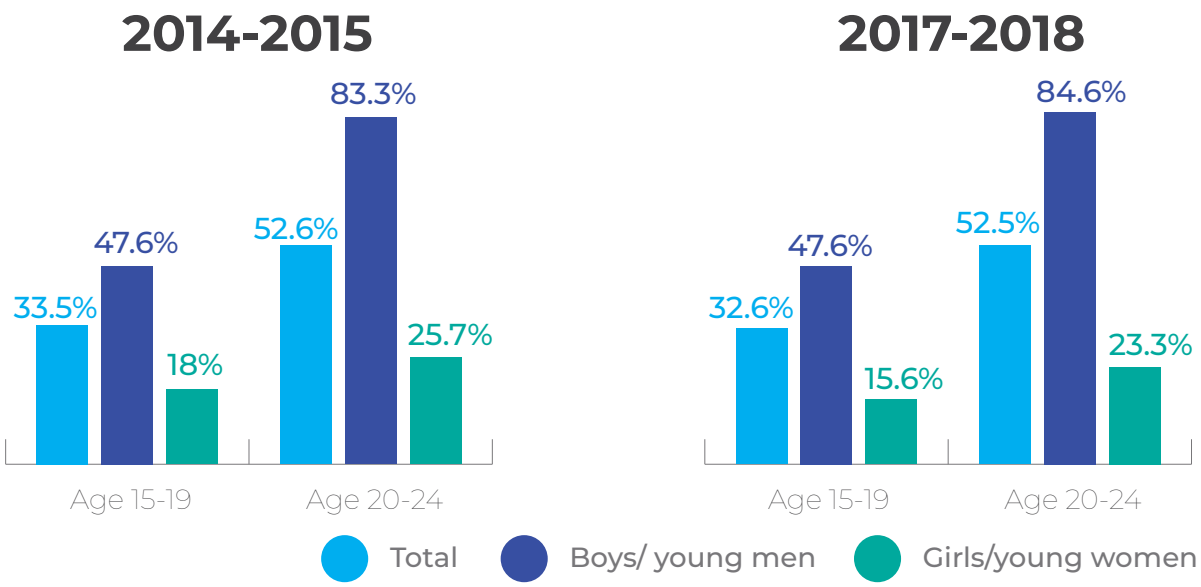
Source: Author's calculations based on data from the World Population Review.

Figure 16. Unemployed young people in Pakistan (aged 15-24), 2019 (millions)



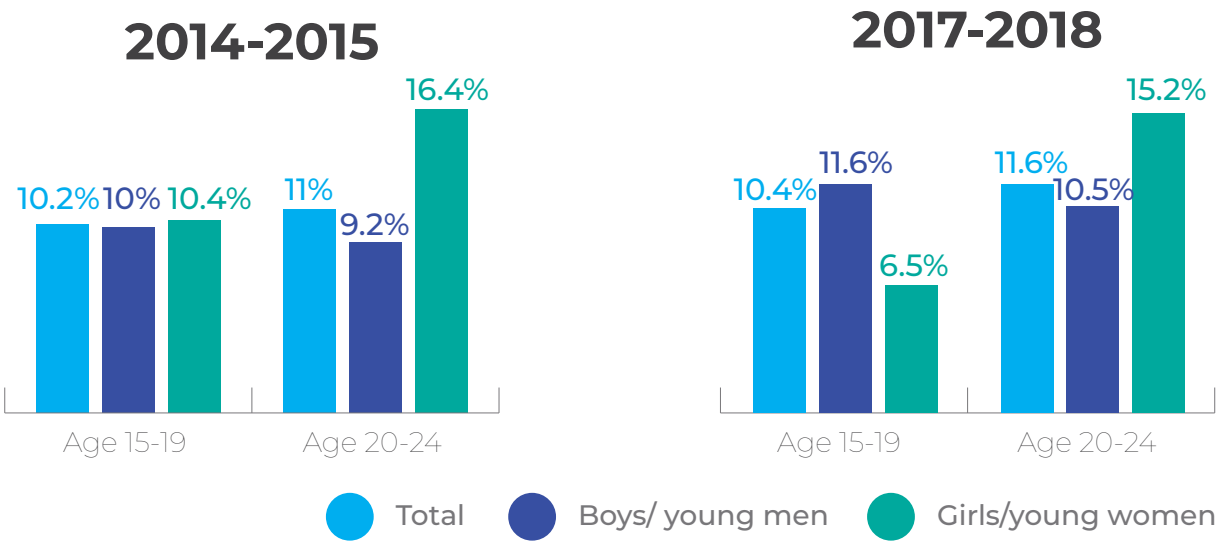
Source: Author's calculations based on data from the World Population Review.

Figure 17. Young people in the labour force, 2014-15 and 2017-18 (%)



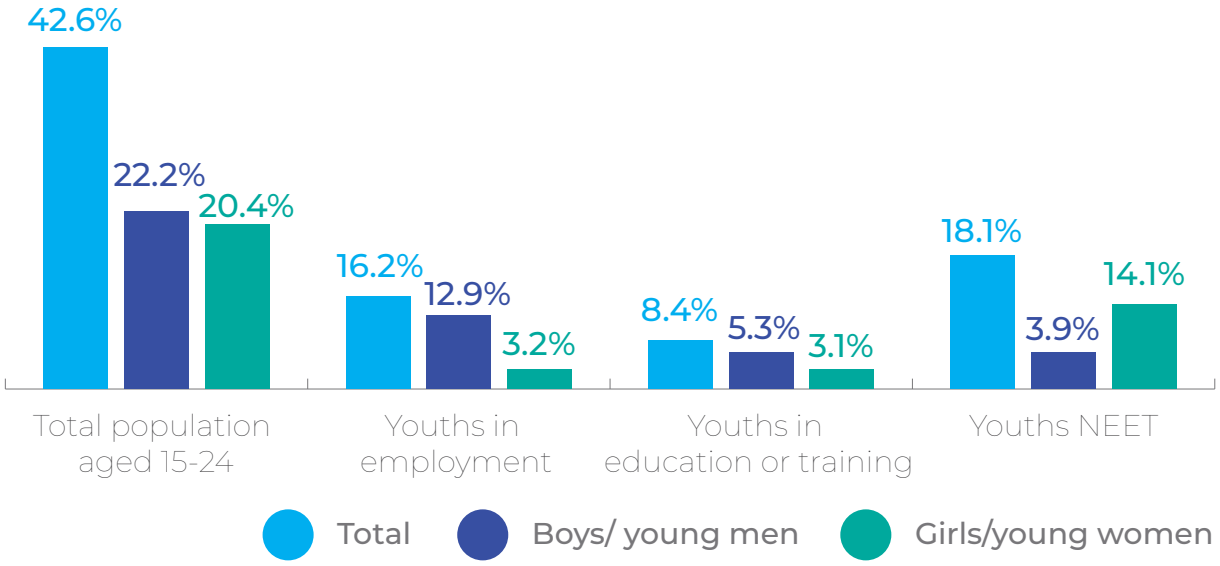
Source: Government of Pakistan, *Pakistan Labour Force Survey 2017-18*, Pakistan Bureau of Statistics, Islamabad, 2018.

Figure 18. Unemployed young people, 2014-15 and 2017-18 (%)



Source: Government of Pakistan, *Pakistan Labour Force Survey 2017-18*, Pakistan Bureau of Statistics, Islamabad, 2018.

Figure 19. Estimates of young people not in education, employment or training (NEET), 2019 (millions)



Source: Government of Pakistan, *Pakistan Labour Force Survey 2017-18*, Pakistan Bureau of Statistics, Islamabad, 2018.

Of the 18.2 million strong young labour force, almost 2.2 million youths are unemployed. Unemployment increases with age, as labour force participation rises. A key indicator to consider is the number of youths who are not in education, employment or training (NEET). In line with SDG target 8.6.1 , the age group considered for NEET are young people between 15 and 24 years old. This follows the standards of the ILO's Minimum Age Convention, 1973 (No. 138), which Pakistan ratified in 2006, that specifies that children between 10 and 14 years old should be at school, not in work. Despite this, an estimated 1.56 million children in Pakistan between the ages of 10 and 13 who should be in school are instead engaged in work, most notably in unpaid family work or other forms of informal labour, such as domestic service.

Young people who are not involved in learning or productive activities are especially vulnerable. Unless their plight is addressed, they risk immense deprivation and exclusion from economic prosperity. In 2018, the ILO estimated that 31 per cent of Pakistan's 15 to 14-year-olds were NEET. The figures below have been calculated based on the population projection in 2019.

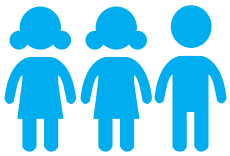
Based on this estimation, 18.05 million of Pakistan's 42.6 million 15 to 24-year-olds are not in education, employment or training (see the figure above). There are twice as many young women in this category than young men – reflecting low levels of gender parity and women's economic empowerment. Nevertheless, 9.24 million young men are not meaningfully engaged in learning or formal productive activities – as noted above, this leaves them prey to growing disenchantment.

Data from the latest Labour Force Survey reveals that young people account for 44.5 per cent of all literate people in Pakistan, 45 per cent of all formally educated people and 17.8 per cent of university degree holders.

Analysing the unemployment rates of workers with different levels of education is critical for understanding labour market conditions and the utilization of human capital. As the figure below illustrates, unemployment increases as education levels rise – reflecting sub-optimal use of Pakistan's human capital, with a strong relationship to the wider trend of high youth unemployment. In essence, there is a dearth of good quality jobs in Pakistan. As a result, the more highly educated a young Pakistani is, the greater their chances of being unemployed. This reaffirms the need to create quality jobs and economic opportunities for young people, including those who attain high level qualifications.

Informality is another major issue to consider in terms of employment in Pakistan. Informal work represents 70 per cent of all employment in developing and emerging countries, compared with just 18 per cent in developed countries. In developing countries, in-work poverty risks are twice as high among informal economy workers. Looking at labour force data in Pakistan, for instance, wage increases in the agriculture sector – which principally employs informal works – are the slowest in the economy. Available evidence also indicates that poor occupational safety and health conditions prevail in the informal economy, with high social and economic costs. It is also important to note that informality affects men and women differently. While more men work in the informal economy globally, in most countries, women are more often found in the most vulnerable forms of informal employment, such as contributing family workers, which affects their employment outcomes (Organisation for Economic Co-operation and Development and the International Labour Organization, 2019).

The new digital economy has created opportunities to improve the quality of working lives, expand choice, close the gender gap, reverse the damages wreaked by inequality, and much more. But these changes will not happen on their own. Technological changes will create new jobs, but eliminate others. Skills among Pakistan's youth today will not match the jobs of tomorrow. Unless Pakistan invests in the future of work, current skills may quickly become obsolete. The box below highlights the International Labour Organization's three-pronged agenda to address the future of work – recommendations that stand to benefit Pakistan immensely.



18.02

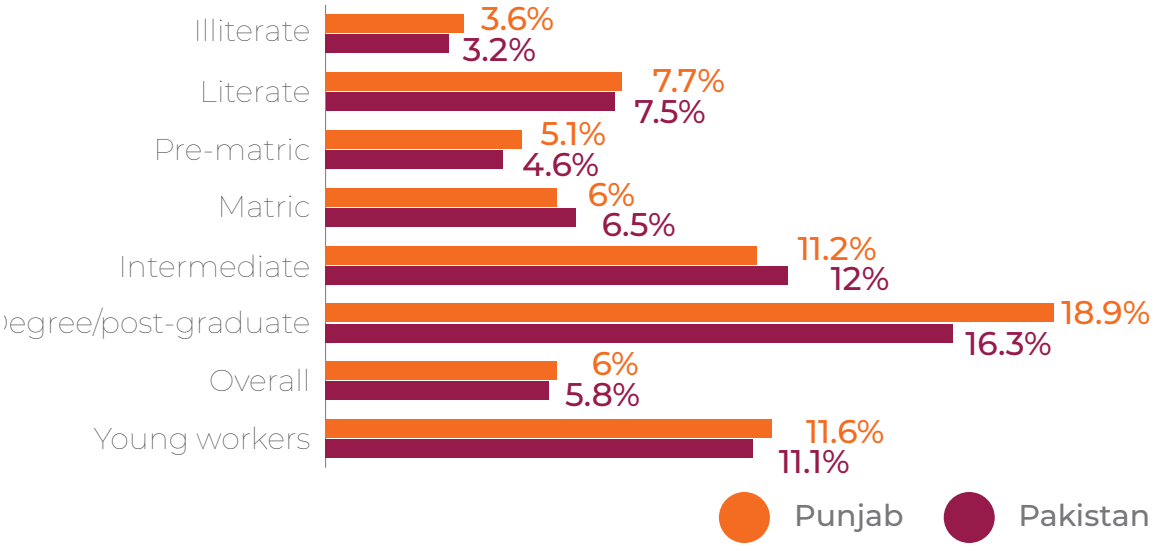
MILLION

15 to 24-year-olds are not in education or training (twice as many girls as boys)

17.8%

of university degree holders in Pakistan are young people

Figure 20. Unemployment rates of workers with different levels of education, 2017-18 (%)



Source: Government of the Punjab, *Punjab Growth Strategy 2023*, Planning & Development Department, Lahore, 2019, p. 6.

BOX 1
ILO recommendations on the future of work

Invest in capabilities:

- Ensure a universal entitlement to life-long learning that enables people to acquire skills and to re-skill and up-skill.

- Step up investments in the institutions, policies and strategies that will support people through future of work transitions. Young people will need help in navigating the increasingly difficult school-to-work transition.

- Implement a transformative and measurable agenda for gender equality. Strengthening women's voice and leadership, eliminating violence and harassment at work and implementing pay transparency policies are preconditions for gender equality.

Invest in the institutions of work:

- Establish a Universal Labour Guarantee. All workers should enjoy fundamental rights, an 'adequate living wage', maximum limits on working hours, safety and health.

- Expand time sovereignty. Workers need greater autonomy over their working time.

- Ensure the collective representation of workers and employers through social dialogue as a public good, actively promoted through public policies.

- Harness and manage technology for decent work.

Invest in decent and sustainable work:

- Offer incentives to promote investments in key areas for decent and sustainable work

- Reshape business incentive structures for longer-term investment approaches and exploring supplementary indicators of human development and well-being.

2.5 ENTREPRENEURSHIP

2.5.1 YOUNG ENTREPRENEURS IN PAKISTAN

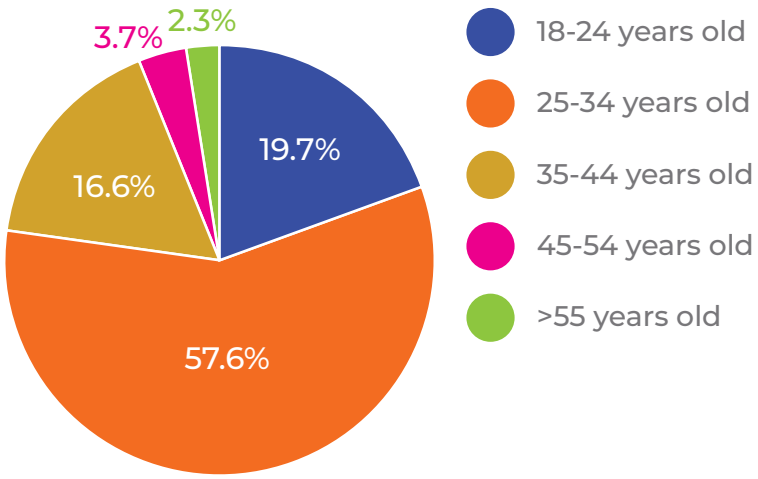
More than 90 per cent of the jobs in Pakistan are created by the private sector, making employment creation highly sensitive to economic performance (Khan et al., 2019). In light of labour force trends and GDP growth rates, employment elasticity in Pakistan is 0.45-0.5. This suggests that GDP growth of 1 per cent creates roughly 279,000 jobs. Pakistan's current growth levels are insufficient to create the number of productive jobs needed to accommodate the large number of young people (400,000) entering the work force each year. Thus, entrepreneurship will be vital to bridge gaps in the demand for, and supply of, jobs.

Entrepreneurs are key to business generation and innovation, with the potential to create high-growth firms and prompt knowledge spillover to the wider economy. Yet, a number of challenges face Pakistan's entrepreneurs, including:

- a lack of risk capital due to sub-optimal policy frameworks and non-conducive requirements on access to capital;
- a tax regime that is not innovation-friendly and does not distinguish between new innovative models and standard business models;
- costly bankruptcy laws which reduce appetite for risk;
- a lack of incubation and accelerator support outside major cities (Small and Medium Enterprise Development Authority, 2019).

Young Pakistanis are clearly keen to excel as entrepreneurs. In 2019, they propelled the country among the top destinations offering freelance services, with Pakistan's placing fourth on Payoneer's Global Gig-Economy Index, above India and Bangladesh. There has been a 47 per cent growth in freelance revenue and a 42 per cent increase in Pakistani freelancers since the second quarter of 2018. This has been fuelled by several factors, most notably a very young population. More technically-oriented education will help Pakistan young people participate further in the 'gig economy'. Earnings from such entrepreneurial activities indicate that young people benefit from investments in freelance work and entrepreneurship.

Figure 21. Pakistani freelancers' earnings by age, 2019



Source: Payoneer, *The Global Gig-Economy Index: Cross-border freelancing trends that defined Q2 2019*, Payoneer, New York, 2019, <https://www.brecorder.com/2020/01/13/561298/pakistani-youth-power-growth-in-freelance-economy-report>, accessed 17 February 2020.

2.5.2 YOUNG PEOPLE IN START-UPS AND INCUBATION CENTRES

It is especially important to look at two elements of entrepreneurship in Pakistan – high growth digital start-up opportunities and routine entrepreneurship. Since 2012, Pakistan's digital innovation and entrepreneurship landscape has grown rapidly, offering significant opportunities for young people to innovate, experiment and expand their ventures.

Other sources reveal that over 720 start-ups have been created in Pakistan since 2012 (Karandaaz, 2017). The province of Punjab has taken the lead by introducing initiatives such as Plan9 and PlanX. These have been followed by federal government initiatives, establishing National Incubation Centers (NICs) through Ignite. In total, Pakistan has five active NICs, which have supported the graduation of over 200 start-ups (World Bank, 2019).

Although Pakistan has begun creating platforms to support, incubate and mentor high growth start-ups, (i) access to these platforms is inequitable and (ii) university education is weak in terms of content on entrepreneurship. Thus, while the evolving entrepreneurship ecosystem promises opportunities, challenges remain. For instance, ensuring that facilities are accessible to young people across the country, especially those outside major cities, is a major concern. Greater investments are required in tech hubs and infrastructure support, as are additional capital flows to sustain start-ups during the initial incubation period. There is also a large gender gap, as businesses led by men generally do better in the current environment, while women-owned start-ups tend to be financed through angel investors or grants (World Bank, 2019). Clearly, there is a need to further expand incubation platforms to support women and young people ill-served by the current system.

A second element of entrepreneurship caters for routine micro-businesses, especially in the service sector. As discussed above, TVET in Pakistan's produces over 400,000 young graduates each year, equipped with a diverse range of skills. If harnessed effectively, these skills would help young graduates to become gainfully self-employed. They are held back both by a lack of capital and a limited understanding of entrepreneurship. Redressing these gaps through training and support would turn great swathes of unemployed young people into financially empowered self-employed workers – improving their own lives and, potentially, generating employment for scores of other young people. It is also important to note that, there is no credible data on the employment of these young trained workers. There is also little evidence of inclusive entrepreneurship training for these young people, and there appear to be no dedicated programmes providing guidance and finance for starting businesses.

> *"In 2012, there were just two major business incubators and accelerators in the country, with almost no investors and funding sources. In comparison, in 2019, there are now over 24 incubators and accelerators, 80 co-working spaces, and approximately 20 formal investors in Pakistan (World Bank, 2019).*

2.6 ENGAGEMENT

2.6.1 ENGAGING YOUNG PEOPLE IN PAKISTAN

Given the size of Pakistan's young population and its projected growth, it is important to include the voices of young people in policies and initiatives, especially those that impact them. Engagement, as Pakistan's last National Human Development Report puts it, "is not simply an end itself but also the means to an end, towards an informed, engaged and responsible citizenry in control of the decisions that affect their lives". However, Pakistan has tended to lag behind on young people's engagement (United Nations Development Programme, 2018). Even many youth leaders are not in the age bracket to qualify as 'youths'. Most are over the age of 30, including members of the Youth Advisory Council of the Federal Government's *Kamyan Jawan* programme.

Student unions are a major forum for young people's engagement in universities and colleges. Although these have been banned in Pakistan for over three decades, recent demands are calling for their revival. This led to a nationwide student march in November 2019, which met with a mixed reception. Future developments appear uncertain as the authorities fear violence on university campuses, given political parties'' traditional involvement in university politics, particularly in public institutions. However, the growing demand among Pakistan's students may be seen as an opportunity for young people to take an active part in student-led politics and issue-based advocacy.

Currently, there is no formal mechanism for engaging young people in policy-making processes, with the exception of some donor-led youth leadership programmes. Notable examples include the Pakistan Institute of Legislative Development and Transparency's (PILDAT) young politicians fellowship programme, which caters for applicants between the ages of 25 and 30. In partnership with PILDAT, the United Nations Development Programme (UNDP) brought young people face-to-face with policy-makers at the federal and provincial levels through the Youth Empowerment Programme (YEP). This shed light on a range of important issues, such as the ban on student unions, obsolete curricula, a lack of support and guidance for self-employment, and the inadequate inclusion of vulnerable groups. It is vital to sustain such engagement initiative in order to better understand young people's needs.

> *In 2019, UNDP, UNFPA and UNICEF created a Youth-led Policy Forum to provide a platform for young people to contribute to policy discussions through collective ideas, solutions and innovations*

NO FORMAL MECHANISM

exists for engaging young people in Pakistan's policy-making processes

In the absence of physical fora, social media is the most popular channel for young people to voice their opinions. Social media satire by young Pakistanis, including YouTube shows, are reaching out to a wide audience, turning young people into celebrities – particularly those from urban centers, such as Lahore, Karachi and Islamabad. Young people from Balochistan, the Merged Districts of Khyber Pakhtunkhwa and rural areas are underrepresented on these fora, ostensibly due to a lack of digital connectivity and digital literacy.

Moreover, access to the internet and social media across Pakistan remains low. Only 17 per cent of Pakistanis use the internet, and only 14 per cent of these users access social media. While 21 per cent of men have online access, this is true for just 12 per cent of women. This points to another dimension of gender inequality – the digital divide. Significant differences also exist in internet usage between groups with different levels of education. Some 48 per cent of those with secondary or higher education access internet, compared to just 13 per cent of those who have completed their primary education, or have had no formal education. Income is another key enabler for the uptake of information and communications technology (ICT), as 31 per cent of Pakistanis with above-average income use ICTs, as opposed to 11 per cent of those with below-average income. Only 7 per cent of individuals with no income have access to the internet – and 72 per cent of these individuals are between 15 and 25-years-old (Hootsuite, 2018).

Promoting young people's engagement through growing digital technologies is an unexplored area in Pakistan. To harness the potential that technology provides for youth employment, entrepreneurship and engagement, investments are needed to enable young people to access technologies, build up their ICT skills and bridge the digital gender gap. It is also clear that more needs to be done to close the gender gap in engagement more broadly. For instance, in the 2018 general election, there was a clear gender gap in voter – particularly in Pakistan's most densely populated province and especially in metropolitan areas such as the city of Lahore, where the gender gap in voter turnout were 6.3 per cent and 12.5 per cent, respectively (Cheema et al., 2019).

SOCIAL MEDIA

is the most popular channel for young Pakistanis to voice their opinions

17%

of Pakistanis use the internet (21% of men vs 12 % of women)

12.5%

gender gap in voter turnout in Lahore reflects urban political engagement trends

© UNICEF/PAKISTAN/FatimaShahryar

WHY INVEST IN PAKISTAN'S YOUNG PEOPLE?

Investing in Pakistan's young people will be challenging, considering the immense size of the young population and the plethora of challenges they face. The projected returns on these investments, however, will be immense. As this section shows, Pakistan stands to reap vast economic returns – coupled with incalculable social benefits – by investing now in quality education and training, equitable employment, productive entrepreneurship and the inclusion of young people's voices in decision-making.

3.1 RETURNS ON INVESTING IN EDUCATION

WHY EDUCATION MATTERS

Education is the foundation for nurturing a country's human capital – making it the greatest single contributor to sustainable socio-economic development. Evidence shows that private returns on schooling are on the rise – that is, the returns which educated individuals receive from the labour market. Returns range from 20 per cent and above in Africa, to 14 per cent in East Asia and the Pacific. The greatest recent change is that returns on tertiary education are now the highest (Patrinos, 2016).

Analysis also suggests that young people's cognitive skills have a large effect on a nation's economic growth rate. Increasing the average number of years of schooling attained by the labour force, combined with increased levels of school attainment, enhance these cognitive skills. Specifically, across 50 countries,

each additional year of schooling increased the average 40-year growth rate in GDP by about 0.37 percentage points. The impact of improved learning was even higher. If a country's learning performance was 0.5 standard deviations higher, it resulted in an additional 1 percentage point of GDP growth relative to other countries (Hanushek et al., 2008).

Available evidence makes a strong case for investing in quality education. In addition to resulting in significant economic growth multipliers, more and better-quality education has a substantial impact on employment prospects. In OECD countries, on average 83 per cent of the population with a tertiary level education is employed. In Iceland, Norway, Sweden and Switzerland, the average employment rate of tertiary-educated individuals is over 88 per cent. The average falls to 74 per cent for those with upper secondary and post-secondary non-tertiary education, and to just below 56 per cent for those without an upper secondary level education (OECD, 2012).

According to UNDP's Human Development Index 2018, mean years of schooling in Pakistan total just 5.2 years – lower than countries such as Bangladesh (5.8 years), India (6.8 years) and Viet Nam 8.2 years. This average is significantly lower than the world's best performers, including Germany, Switzerland and the United States, where mean years of schooling exceed 13 years. Pakistan's low score is both a result of high numbers of out-of-school, coupled with the lack of secondary and tertiary level infrastructure needed to sustain the large number of primary school graduates.

83%

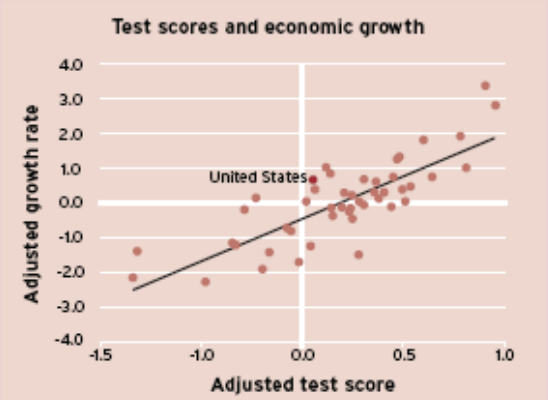
of people with a tertiary level of education are employed in OECD countries, vs 56% of people without upper secondary education

14%

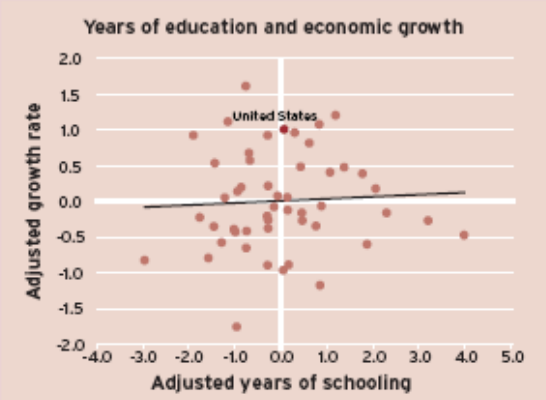
labour market returns on education projected in Asia and the Pacfic

Figure 22. Explaining economic growth

How much students learn, not how long they stay in school, is the key to economic growth. The United States, however, has had a higher growth rate during this period than would be expected given its test scores and levels of school attainment.



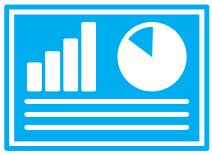
Note: The y-axis indicates growth rates from 1960 and 2000, adjusted for GDP in 1960 and school attainment. The x-axis shows test scores adjusted for school attainment. The solid line plots the relationship between the two variables among the 50 countries with available test score information, each of which is represented by a dot.



The y-axis indicates growth rates from 1960 and 2000, adjusted for GDP in 1960 and test scores. The x-axis shows school attainment adjusted for test scores. The solid line plots the relationship between the two variables among the 50 countries with available test score information, each of which is represented by a dot.

SOURCE: Authors

Source: Reprinted from Hanushek, et al., *Education and Economic Growth, 2008*, <https://www.educationnext.org/education-and-economic-growth>, accessed 13 February 2020.



485 BILLION

(PKR) would be added to Pakistan's GDP if it increases education spending by 10% over the next 5 years

83,000

households would rise out of poverty if mean years of schooling increase by just 1%

6.85%

more in wages is estimated for every extra year of education in Pakistan

WHAT PAKISTAN WILL GAIN BY INVESTING IN EDUCATION

Investing in education would promise significant returns for Pakistan. A 1 per cent increase in mean years of schooling in Punjab, for instance, is projected to reduce multi-dimensional poverty by almost 5 per cent (Government of Punjab, 2019). As Punjab accounts for 60 per cent of Pakistan's economy, this result may be generalized for the entire national economy.

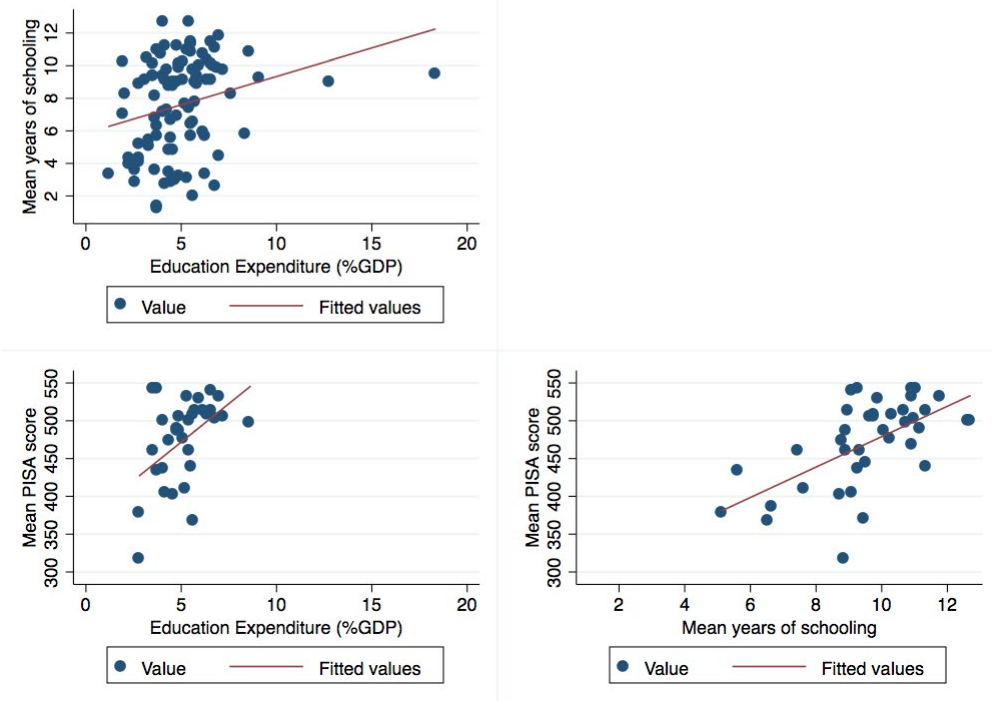
Current estimates indicate that 24 per cent of the households in Pakistan are 'poor'. If investments increase the mean years of schooling by just 1 per cent, this would enable 1.116 per cent of Pakistan's households to lift themselves out of poverty. This translates into roughly 83,000 households, encompassing 600,000 individuals, rising out of poverty.

The figure below illustrates the relationship between spending on education, its impact on mean years of schooling and learning outcomes. As spending rises, both mean years of schooling and learning outcomes increase, with particularly strong improvements for learning outcomes. Based this data, it may be estimated that increasing mean years of education by 1 per cent requires a 4.4 per cent increase in the education budget. Increasing Pakistan's current education budget – of PKR 900 billion across all regions – by PKR 40 billion would increase mean years of schooling by 1 per cent. As a result, over 83,000 households would attain higher incomes. If these households reached a modest income level of PKR 20,000 per month, this would contribute to PKR 300 billion in perpetual incomes, equivalent to a seven-fold potential return multiplier effect.

Another important multiplier effect of investment in education suggests that if development expenditure in education increases by 10 per cent every year for 5 years, this would add 1 percentage point to GDP growth (Government of Punjab, 2019). At present, Pakistan's average development expenditure on the education sector is PKR 120 billion. Increasing this by 10 per cent each year for next five years would result in extra spending of PKR 55 billion. Attaining one extra percentage point in growth, in turn, would add PKR 138 billion at constant prices – or PKR 485 billion in current prices – to the country's GDP. Once again, this implies a multiplier effect of more than seven-fold in nominal terms.

Based on data from Pakistan from 2010/2011, Zoch (2019) calculates that one more year of education pays an average of 6.85 per cent more in wages. Disaggregating this by sex suggests that one more year of education results in a 7.2 per cent wage increase for men, and an even higher wage increase of 11.4 per cent for women.

Figure 23. Correlation between education outcomes and education expenditure



Source: Reprinted from Roser, Max, and Esteban Ortiz-Ospina, *Financing Education*, OurWorldInData, 2020, <https://ourworldindata.org/financing-education>, accessed 13 February 2020.

3.2 RETURNS ON INVESTING IN SKILLS AND TRAINING

WHY SKILLS TRAINING MATTERS

Investing in technical and vocational education and training (TVET) is expected to have an even larger multiplier effect than investments in the general education system, due to a diverse range of economic and social impacts. Quality TVET empowers young people to become financially independent, thereby expanding the scale of economic activities while building young people's confidence and motivation. The table below highlights multiple ways in which investment in TVET can pay off for young people, and for countries as a whole. Global evidence also reveals immense returns on investments in TVET (Schueler et al., 2017):

- Evidence from 95 countries shows that one-year of TVET can increase labour productivity by 7 to 10 per cent in the short term, and 11 to 15 per cent in the long term. This also contributes to economic growth.
- In Australia, a 5.6 per cent increase in spending on TVET predicted an 18 per cent internal rate of return to the economy.
- A study in Australia showed that a 10 per cent increase in training resulted in a 1 per cent increase in productivity.
- For the United Kingdom, a 1 per cent increase in training resulted in a 0.6 per cent increase in productivity.
- In Canada, a 10 per cent increase in investments in TVET led to a 0.6 per cent rise in corporate productivity.
- Individuals in the United Kingdom who undertake non-certified training earn 5 to 6 per cent more in wages than those who do not.
- A multi-country study in Europe reveals that one extra year of TVET increases wages and employment by 7 per cent for both men and women.
- Evidence reveals higher returns on TVET for trainees who are better educated.

Table 3. Returns on investments in TVET

Individuals	Employers	Wider community
Job-related	**Market**	**Economic**
Employability	Productivity	Labour market participation
Productivity/skills gains	Efficiency	Labour force productivity
Earning capacity	Employee skills gains	Increasing the tax base
Foundational skills	Business innovation	GDP growth
Training pathways (vocational/ higher education)		
Non-job-related	**Non-market**	**Social**
Well-being	Organizational culture	Social cohesion
Engagement	Motivated workforce	Social inclusion
Satisfaction	Employee well-being	Health and well-being
Self-confidence	Employee work practices	Crime reduction

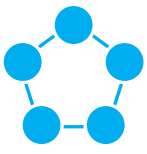
Source: Schueler, et al., *A framework to better measure the return on investment from TVET*, National Centre for Vocational Education Research (NCVER), Adelaide, 2017.

WHAT PAKISTAN WILL GAIN BY INVESTING IN TRAINING

Research in Pakistan suggests similar returns (Khan et al., 2019) – putting force a strong case for investment in TVET. Pakistani employers envision significant productivity gains if young workers are well-trained in relevant trades. They also report that workers or trainees with higher levels of basic education tend to perform better than those forced to drop out of school. A 1 per cent increase in any form of education increases added value in the manufacturing sector by 3 per cent, in the transport sector by 2.7 per cent, in the wholesale and retail trade sector by 4.7 per cent, and in the construction sector by 5.1 per cent (Government of Punjab, 2019).

1%

increase in education, including TVET, increases added value in different sectors by:



5.1%

in the construction sector, 4.7% in trade, 3% in manufacturing, and 2.7% in retail

3.3 RETURNS ON INVESTING IN EMPLOYMENT OPPORTUNITIES

WHY EMPLOYMENT MATTERS

Employment opportunities are not necessarily dependent on higher investments in education and skills. A country's overall macroeconomic performance is a key determinant of employment creation, particularly as it affects the private sector's contributions. In Pakistan, long-term employment elasticity is around 0.5. This suggests that growth of 1 percentage point in GDP results in a 0.5 per cent growth in employment. Therefore, any downturn in the economy is likely to reduce employment opportunities for young people. This suggests that investments must be made strategically to encourage more economic growth and, in turn, foster job creation.

WHAT PAKISTAN WILL GAIN BY INVESTING IN EMPLOYMENT

Recent literature affirms that Pakistan's young people are "enormously concerned about their education and professional careers" and display a keen interest in career development programmes (Pak Institute for Peace Studies, 2019).

Evidence shows that doubling credit to small- and medium-sized enterprises (SMEs) in Pakistan is likely to more than double employment (Government of Punjab, 2019). Current lending to SMEs totals PKR 400 billion, with government targets set to increase lending targets to PKR 1.8 trillion. This investment will have a significant impact on employment opportunities for young people.

3.3.1 RETURNS ON REDUCING INEQUALITY

Evidence from Pakistan suggests that a 1 per cent decrease in the 'inequity ratio' reduces multi-dimensional poverty by almost 0.4 per cent (Government of Punjab, 2019) – with immense implications for employment and incomes.

International evidence shows a strong link between inequity and young people's unemployment. For example, in low income and emerging market economies, youth unemployment is an important driver of inequality during both 'booms' and 'busts'. During booms, reduced unemployment accounts for 41 per cent reduction in inequality, with higher youth employment accounting for one-third of this reduction. During busts, 28 per cent of the increase in inequality is caused by a rise in unemployment. Thus, growing unemployment among young people is a major contributor to rising inequality. Investments that create employment opportunities for young people, therefore, can reduce inequity substantially (Hacibedel and Muthoora, 2019).

Inequity also has a clear, sizeable impact on growth. For example, lowering inequity by 1 Gini point results in an increase in cumulative growth of 0.8 percentage points in the following five years (or 0.15 points per year). Moreover, as inequality increases, young people's enrolment in education decreases (Cingano, 2014), as illustrated in the figure below. Therefore, investments in reducing inequity could result in substantial economic and social gains.

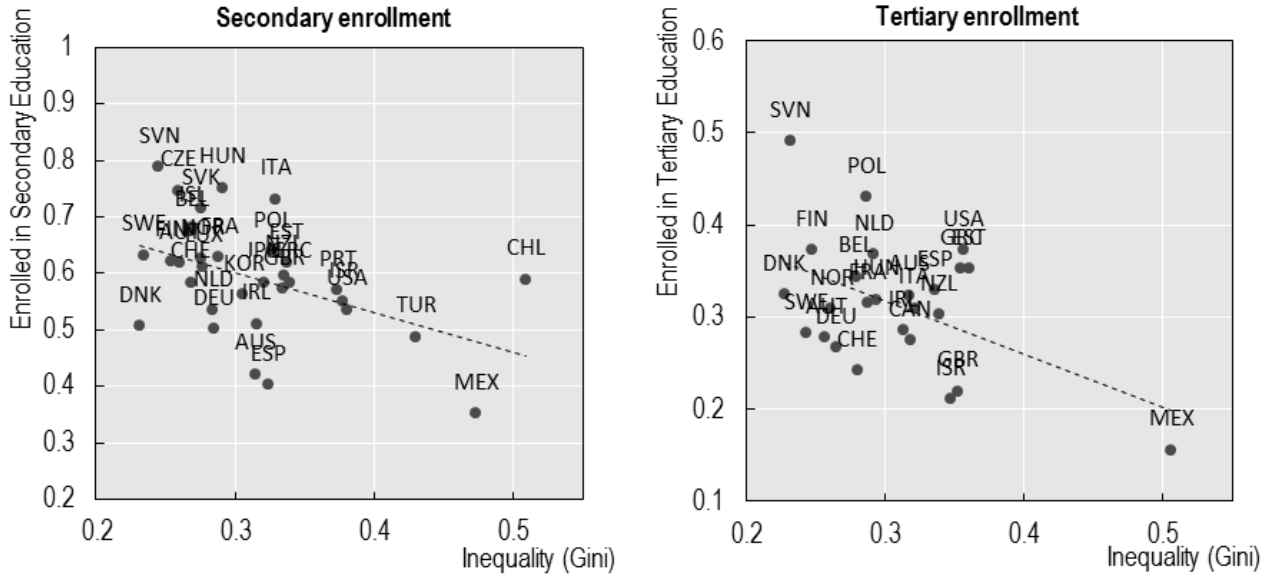
1 GNI POINT

reduction in inequality would prompt 5% economic growth over the next 5 years

1.8 TRILLION

government target of SME lending would boost youth employment opportunities

Figure 24. Inequality to enrolment ratio



Source: Cingano, Frederico, 'Trends in Income Inequality and its Impact on Economic Growth', *OECD Social, Employment and Migration Working Papers*, no. 163, OECD Publishing, Paris, 2014, <http://dx.doi.org/10.1787/5jxrjncwxv6j-en>, accessed 13 February 2020.

3.1 RETURNS ON ENTREPRENEURSHIP AND SELF-EMPLOYMENT

WHY ENTREPRENEURSHIP MATTERS

In light of Pakistan's current macroeconomic performance, as discussed above, employment opportunities will fall short of the number needed to accommodate the country's rapidly increasing young labour force. This makes it essential to use self-employment and entrepreneurship as policy tools to financially empower young people graduating out of higher education and TVET.

The ILO estimates that self-employed workers, micro- and small-sized enterprises (MSMEs) account for 70 per cent of total employment in 99 sampled countries (2019). In Self-employment tends to be particularly common in low and middle income countries, where wage employment is scarce. There is a negative correlation between countries' GDP per capita and the employment share of self-employed workers. For countries with the lowest income levels, this share comes close to 100 per cent – signifying that hardly any employment occurs in enterprises with 50 or more employees. South Asia is among the world regions with the highest employment share of self-employment (66 per cent) (ILO, 2019).

WHAT PAKISTAN WILL GAIN BY INVESTING IN ENTREPRENEURSHIP

Entrepreneurship programmes positively impact labour market outcomes and incomes (Cho and Honorati, 2014). Evidence from the United States suggests that policy and education programmes directed at improving the productivity and earnings of

self-employed individuals may have high payoffs in terms of local economic growth and opportunities. Similar gains would be expected in Pakistan if it invests now in young people's entrepreneurship.

3.5 RETURNS ON YOUTH ENGAGEMENT AND INCLUSION

WHY ENGAGEMENT MATTERS

There is a moral and economic argument for inclusion and engagement. Research by the World Bank concludes that the economic cost of exclusion – whether social, political, or economic – is substantial.

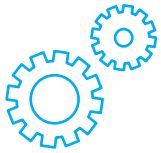
For example, occupational segregation that restricts the free movement of talent and resources results in a significant loss of productivity.

In Romania, the World Bank finds that the exclusion of the Roma ethnic minority costs the country EUR 887 million in lost productivity. Studies in Bolivia estimate that ethnic exclusion reduces agricultural productivity by up to 36 percent.

WHAT PAKISTAN WILL GAIN BY INVESTING IN ENGAGEMENT AND INCLUSION

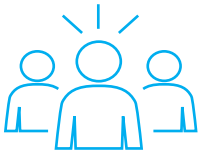
As such a large, vibrant part of Pakistan's population, there is enormous innate value in prioritizing young people's engagement – as a matter of well-being, shared prosperity and social justice. As exclusion of any sort results in significant costs, and available evidence suggests substantial gains from inclusion (World Bank, 2013),

Pakistan's economy, and society as a whole, stand to gain immeasurably from ensuring that everyone's voices are heard – especially the voices of young people.



ENTREPRENEURSHIP

programmes positively impact labour market outcomes and incomes



70%

of employment is accounted for by MSMEs and self-employed workers, on average, in 99 countries

IMMENSE GAINS

are expected if Pakistan ensures youth engagement and inclusion

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SECTION 4

GENERATION UNLIMITED PRIORITY AREAS

4.1 EDUCATION

PRIORITY 1. TRANSFORM THE FORMAL SCHOOL EXPERIENCE TO BUILD SKILLS YOUNG PEOPLE NEED FOR PRODUCTIVE LIVES AND THE FUTURE OF WORK

Pakistan must ensure universal primary education, in line with the Constitution, as the foundation for young people's ability to learn, attain decent work and contribute to sustainable development. Investments in education, especially at the primary level, translate into immense social and economic returns. Crucially, Pakistan also needs to invest in the expansion of secondary education, both in terms of formal schools (middle and secondary schools) and alternative learning pathways. These include accelerated education, linked with skills training and pathways to enter formal education for adolescents who have dropped out or have never attended school.

SCALE OF THE PROBLEM

- **15 million** 10 to 16-year-olds are out of school.
- **40,000** middle schools exist in Pakistan, far fewer than the nation's 180,000 primary schools.
- **42 per cent** gross enrolment rate for secondary education in Pakistan is the lowest in the region – far lower than 56 per cent in Afghanistan, 58 per cent in Bangladesh and 84 per cent in India.
- **0.8** gender parity at the secondary level means that Pakistan lags behind its neighbours in India (1.01), Nepal (1.07) and Bangladesh (1.08).
- **13.2 per cent** of GDP per capita is spent on secondary education per student, lower than Pakistan's commitments and behind other South Asian countries like Nepal (14.6 per cent), India (15.5 per cent) and Bhutan (36.1 per cent).
- **65 per cent** of Pakistani students do not achieve a minimum proficiency level (MPL) by the end of their primary education. Quality learning is limited, leading to stagnant labour market returns.
- **100 per cent** secondary school enrolment is required by 2030 to achieve SDG target 4.1 - i.e. meaning that Pakistan must more than double its current enrolment rate.

RETURNS ON INVESTING IN EDUCATION

83,000

households would rise out of poverty if Pakistan's mean years of schooling rose to 5.252 years (from the current 5.2 years)

300 BILLION

perpetual increase in national incomes projected if PKR 40 billion more is spent on education each year to achieve this rise in mean years of schooling (7x return)

19.3%

return on investments in education for girls, and 12.2% for boys

- **PKR 485 billion** would be added from to GDP and incomes if PKR 55 billion is invested in education - i.e. increasing development expenditure on education by 10 per cent per year would add 1 percentage point to GDP growth.
- Workers with a secondary level of education have earnings that are 0.21 units higher than those with only a primary level of education. Earnings are 0.37 units greater for those with higher secondary education, 0.59 units higher for those with graduate degrees, and 1.006 units higher for those with a university education (Nazar, 2018).

CURRENT INITIATIVES

- Punjab's 'New Deal' policy focuses on:
  - improving the quality of education, since only half of the province's 5 to 16-year-olds can read in English and Urdu, or solve basic arithmetic problems;
  - cautiously invest in enhancing school infrastructure;
  - improving the use of education data to inform policy interventions; and
  - investing in and modernizing teacher training.
- In Punjab, stipend programmes exist for enhancing girls' education.
- Under the Global Partnership for Education each of the provinces have developed specific and costed action plans that highlight critical areas of investment – both primary and secondary education are a primary focus. The global funding is expected to match local efforts against well-defined programmes. Private initiatives include *Chalo Parho Barho* – an accelerated learning programme that supports over 9,400 out-of-school children – and efforts by the Citizens' Foundation, which supports 252,000 students in 1,567 schools financed through donations.

WHAT HAS WORKED FOR IMPROVING FORMAL AND NON-FORMAL EDUCATION?

- Alternative or Accelerated Learning Programmes (ALPs) have improved access to education for out-of-school children and adolescents across the country by providing education services that meet their specific needs.
- In Punjab, ICT-supported training for teachers, aligned with the *Taleemi* (educational) calendar, improved math scores in a control group by more than 6 per cent.
- In Argentina, sharing student assessment reports with teachers helped them develop effective teaching plans and techniques, resulting in significant learning gains.
- In Kenya, programmes aimed at making education more engaging and useful reduced the number of out-of-school children, as most students drop out due to poor learning experiences.
- Improved school management improves learning outcomes, as demonstrated by analysis in Pakistan. Further global evidence supports this observation. For instance, in Kenya, training student councils and management committees to assess the quality of teachers, and evaluate their performance, yielded substantial learning gains.
- In India, increasing the number of women councillors reduced the adolescent gender gap in school enrolment by 6 percentage points.
- In certain Africa countries, eliminating school fees increased gross enrolment rates by 150 per cent.
- A meta-analysis of 53 studies reveals that programmes which focus on pedagogy and instruction methods – including ICT-assisted digital techniques – affected student learning by 0.1 to 0.2 standard deviations.

WHAT NEEDS TO BE DONE? LESSONS LEARNED ON EDUCATION

- ✓ Programmes that support the optimal use of learning data, and which increase the transparency, ownership and accountability of schools and teachers, result in better learning outcomes.
- ✓ Initiatives that increase school ownership, improve transparency and enhance management result in better educational outcomes.
- ✓ Teaching content, teacher quality and teaching techniques that respond to students' needs are essential for improving learning outcomes
- ✓ Private sector partnership models, if managed properly, can result in substantial gains by improving management efficiency. The evidence from Punjab's Skills Development Fund (PSDF) and Punjab's TEVTA-industry partnerships, for instance, reveals close to 80 per cent absorption in the labour market.
- ✓ Digital learning and leveraging ICTs can have positive impacts on education. For example, Teletaleem implemented a programme with the Directorate of Staff Development (now QAED) in Punjab to use an ICT-based teacher training model. The intervention had a 6 per cent additional learning gain compared to the control group.

4.2 SKILLS AND TRAINING

PRIORITY 2: PROVIDE YOUNG PEOPLE OUTSIDE FORMAL SCHOOLING WITH OPPORTUNITIES FOR TRAINING, SKILLS DEVELOPMENT, AND ADDITIONAL EDUCATION

SCALE OF THE PROBLEM

- **32.4 million** young people in Pakistan are not in education, employment or training.
- **400,000** students are catered for by the current supply of technical training, three times fewer than expected entrants into the labour market.
- Most TVET courses are out-dated and do not translate into productive employment.
- There are limited linkages with the private sector and employers when determining the content and structure of courses.
- Training often does not develop transferable soft skills which are crucial for productive workers.
- **10 per cent** labour market returns on technical training in the last five years have fallen to almost zero.
- TVET is dismissed as an undesirable option, perceived as only fit for

drop-outs or the marginalized.

- TVET entry requirements tend to exclude young people with low levels of education.
- TVET marketing is extremely weak.
- Limited institutional capacity and poor coordination abounds between federal and provincial TVET bodies is weak. Public sector investments fall short of real needs and, as TVET can be expensive, private sector investment remains low.
- There is a limited focus on training the trainers and TVET teaching staff.

RETURNS ON INVESTING IN TVET

7%

gains in worker productivity linked to TVET, alongside improved employment prospects, higher wages and economic growth

SKILLED WORKERS

are more confident, empowered and productive, yielding both economic and social benefits

TVET GRADUATES

are equipped with many of the 21st century skills needed for the future of work

- A large number of young people are attracted to TVET in the hopes of accessing productive employment.
- **US$ 15 billion** is earned by the country in remittances from overseas Pakistani workers each year – most of whom have engaged in technical or vocational training. This suggests a large return on investments and the potential for TVET to contribute to better development outcomes.

For example, the districts of Gujrat and Jehlum receive significant income from remittances and multi-dimensional poverty in both districts is low.

- **2.8 per cent** lifetime increase in average hourly earnings as a result of basic digital skills has been estimated in the United Kingdom (Centre for Economics and Business Research, 2015).
- The literature suggests that the need for 21st century skills at the global level is dictated by a combination of factors, including societal change driven by the rapid spread of technology, increasing globalization and internationalization, and the shift from industrial social economies to information and knowledge-based social economies. Therefore, no country can afford not to invest in young – they need 21st century skills to prepare them for the future of work.

CURRENT INITIATIVES

- The Federal Government's 'Skills for All Strategy' focuses on improving TVET governance, modernizing the skills ecosystem, enhancing capacity, and addressing issues of gender equality and inclusivity.
- 13 Heavy Machinery Operators' Skills Development Excellence Centres are being established to supply high-quality, trained workers supported by the Government's Skills for All Strategy.
- The *Hunarmand Jawan* programme aims to train 150,000 skilled workers each year, half of whom will be trained in conventional skills, while the other half will receiving training on high-tech solutions, artificial intelligence (AI), robotics and advanced electronics.
- The National Vocational and Technical Training Commission (NAVTTC) is standardizing TVET certification across Pakistan to ensure uniformity and compliance with national standards.
- The Punjab Skills Development Fund has been partially successful in fostering the creation of a private market for skills providers. By rolling out targeted funding, it has enabled the private sector to make investments and improve capacities. The industry partnership programme has met with a mixed response.
- Punjab's Technical Education & Vocational Training Authority (TEVTA) has developed a flexible partnership framework, enabling it to form over 40 partnerships and achieve positive employment results.
- UNDP and GIZ have collaborated on several industry-led programmes yielding successful employment outcomes. These offer evidence of the importance of taking into account demand and seeking employers' inputs when designing courses.
- The Government has revised the Apprenticeship Act with a view to enabling the private sector to provide greater opportunities for young people to obtain hands-on experience.

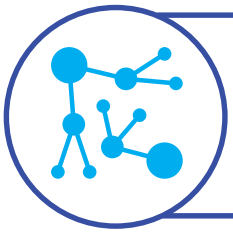
WHAT HAS WORKED FOR IMPROVING TVET?

- The Punjab Employment Opportunities Programme – a voucher scheme funded by the United Kingdom's Department for International Development (DFID) – was tested in South Punjab. Although initial results were poor, with fewer than 5 per cent of the vouchers utilized, the experience highlighted how important it is to consider demand and invest in an area with potential pathways for success.
- In Kenya, a 'vouchers for training' scheme improved the uptake of skills and resulted in increased employment, assets and business creation.
- Experiences in Latin America demonstrate that programmes which combine classroom-based training with on-the-job (OJT) training result in better outcomes, with substantial impacts on employment and incomes.
- Combining life skills and soft skills enhances the impacts of training. In Liberia, an employment project for adolescent girls which focused on life skills led to a 47 per cent increase in employment, compared to the control group.
- Multiple studies demonstrate that privately-led workforce training increases wages in enterprises by between 4 and 20 per cent. However, very few young people appear to benefit as a result.

WHAT NEEDS TO BE DONE? LESSONS LEARNED ON SKILLS AND TRAINING

- ✓ Employer-led training initiatives produce the best outcomes for employment, increased wage and overall economic growth.
- ✓ Training must not limit itself to developing technical skills; instead it is vital to include a strong element of life skills, soft skills and 21st century skills as well.
- ✓ Voucher schemes, if designed properly, can add value and should be explored.
- ✓ Integrated education and skills development programmes for young people with no or low levels of education need to be developed.

4.3 EMPLOYMENT



PRIORITY 3: IMPROVE CONNECTIONS BETWEEN YOUNG PEOPLE AND EXISTING WORK OPPORTUNITIES

SCALE OF THE PROBLEM

- The labour market's severe 'information failure' means that millions of young people – both graduates and those not in education or training – are unable to access job opportunities.
- Public and private TVET institutions' limited capacity prevents them from connecting graduates with existing employment opportunities.
- The lack of connections between skilled young people and employers leaves businesses unable to find the trained human resources they need – with dire implications for economic growth.
- Limited digital connectivity prevents young people – especially women and rural young people – from accessing existing online services to connect them with employers.
- Globally, employers and governments are not using available skills in an optimal manner (Global Agenda Council on Employment, 2014).

RETURNS ON INVESTING IN ECONOMIC OPPORTUNITIES FOR YOUNG PEOPLE

SKILLS MATCHING

results in substantial gains, whereas the under-utilization of skills negatively impacts aggregate labour productivity

THE USE OF SKILLS

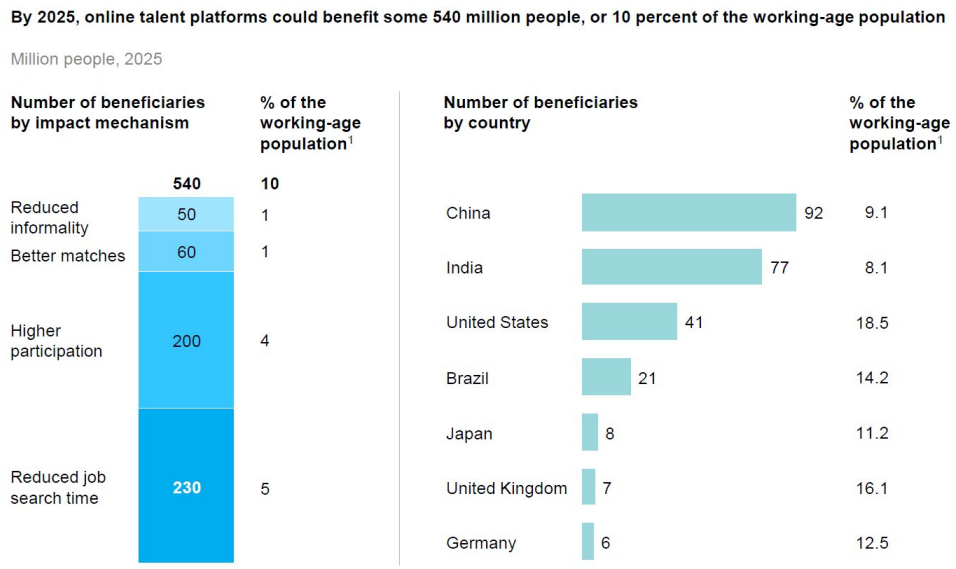
more than actual skills proficiency, determines a country's labour productivity (OECD, 2013)

Figure 25. Labour productivity and the use of reading skills at work

Source: Reprinted from Organisation for Economic Co-operation and Development, *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing, Paris, 2013, <http://dx.doi.org/10.1787/9789264204256-en>, accessed 13 February 2020.

Note: The bold lines are the best linear predictions. Labour productivity is equal to the GDP per hour worked, in US$ current prices (Source: OECD.Stat).Adjusted estimates are based on OLS regression including controls for literacy and numeracy proficiency scores. Standard errors in parentheses. Original source: Survey of Adults Skills (PIAAC) (2012), Table A4.4.

Figure 26. How job matching can affect millions of young people



Source: Reprinted from United Nations Children's Fund, *Overview of Evidence: Generation Unlimited Foundational Documents, 9 July 2019*, New York, UNICEF, 2019 (internal document). Original source: McKinsey Global Institute, *Solutions for Youth Employment Report 2017*, 2015.

CURRENT INITIATIVES

- Pakistan's National Job Portal aims to link skilled workers with employers by making the profiles of more than 550,000 young people available on the portal. Job Placement Centres are also being established across the country.
- Private sector solutions, such as ROOZE.PK and Bright Spires, connect graduates and trainees with potential employers. As a result, the student registration and employer subscriptions are on the rise. However, the effectiveness of such schemes is limited by young people's lack of access to digital technologies and low levels of digital literacy, particularly among women, rural young people and blue-collar workers.
- The successful Industry Placement Office run by Punjab's Vocational Training Council (PVTC) enables placement officers to continuously engage with employment opportunities.
- Punjab's TEVTA is developing of Placement Offices and using technology to improve traceability.
- Several prominent universities have an informal mechanisms in place to connect graduates to potential employers. For instance, the Lahore University of Management Sciences (Lahore), the Institute of Business Administration (Karachi) and the National University of Science & Technology (NUST) have large alumni and career guidance offices that connect with employers and actively market graduates. As a result, their graduates earn, on average, far more than the national average. For example, the average salary of an undergraduate with a degree from LUMS is close to PKR 60,000, compared to the national average of between PKR 20,000-30,000.

BOX 2
Ten Youth Programme

Driving job creation requires social and environmental solutions that are sustainable and adaptable to different sectors. One such solution is Ten Youth, which encourages employers to train, hire and mentor 10 young people between the ages of 18 and 24.

The Ten Youth programme arose from collaboration between the World Economic Forum's Global Agenda Council on Emerging Multinationals and the Global Agenda Council on Youth Unemployment. The concept is intuitive but powerful: in each of the major cities where they have operations, leading and emerging multinational companies commit to hire, train and nurture 10 unemployed young people.

Eligible candidates are first-time job seekers and demonstrably reliable, hard-working, adaptive and self-motivated. Companies commit to hiring these candidates as full-time employees in career-track positions, providing them with between three and six months of training and at least two years of formal mentoring.

The young people are to be employed in areas where they can gain valuable work skills and build long-term careers. The goal is for them to continue their careers in the same companies – the programme has set a target of at least 80 per cent retention after two years. Even if they leave for another firm, they will depart with marketable business competence that enhances their career prospects elsewhere.

The Ten Youth programme is an opportunity for multinational corporations to use their vast capabilities and resources to meet the global challenge of young people's unemployment. The programme will help participating enterprises acquire loyal and productive young employees at a fair wage, develop a non-traditional approach to recruitment and improve their capacity to systematically mentor and train talent.

Source: Global Agenda Council on Employment, Matching Skills and Labour Market Needs: Building Social Partnerships for Better Skills and Better Jobs, World Economic Forum, Davos, 2014, <http://www3.weforum.org/docs/GAC/2014/WEF_GAC_Employment_MatchingSkillsLabourMarket_Report_2014.pdf>, accessed 13 February 2020.

WHAT HAS WORKED FOR YOUNG PEOPLE'S EMPLOYMENT?

- In Liberia, the Economic Empowerment of Adolescent Girls project provides job placements and targeted skills training, prompting participants' employment rates to rise by 47 per cent, and earnings to increase by 80 per cent.
- In Bangladesh, the international development organization BRAC provided loans to 8,000 households to cover migration costs, enabling 128,000 young people to secure employment overseas. Similar initiatives could work for Pakistan. For example, the city of Sialkot offers significant opportunities but lacks sufficient young workers, making it a promising place for young workers from Southern Punjab to migrate to.
- Technological solutions such as 'Job Match' connect job-seekers from poor rural communities to employers, with a view to improving outcomes for young people.

WHAT NEEDS TO BE DONE? LESSONS LEARNED ON ECONOMIC OPPORTUNITIES

- ✓ Pakistan will have to invest more in the provision of soft skills/employability skills throughout TVET value chains, as these will help to integrate young people in employment opportunities.
- ✓ Pakistan needs to invest in systems that support young people's labour mobility, and link them to training and employment opportunities. The labour market suffers from information gaps and unemployed young people are often physically distant from available opportunities. The TVET system should not only provide training; it must also build support systems that identify pools of unemployed young people and engage them in skills pathways that lead to employment.
- ✓ There is a need to invest in a skills and employment intelligence system that uses research and other tools to forecast future labour market demands. This is essential for securing better employment outcomes for young people.

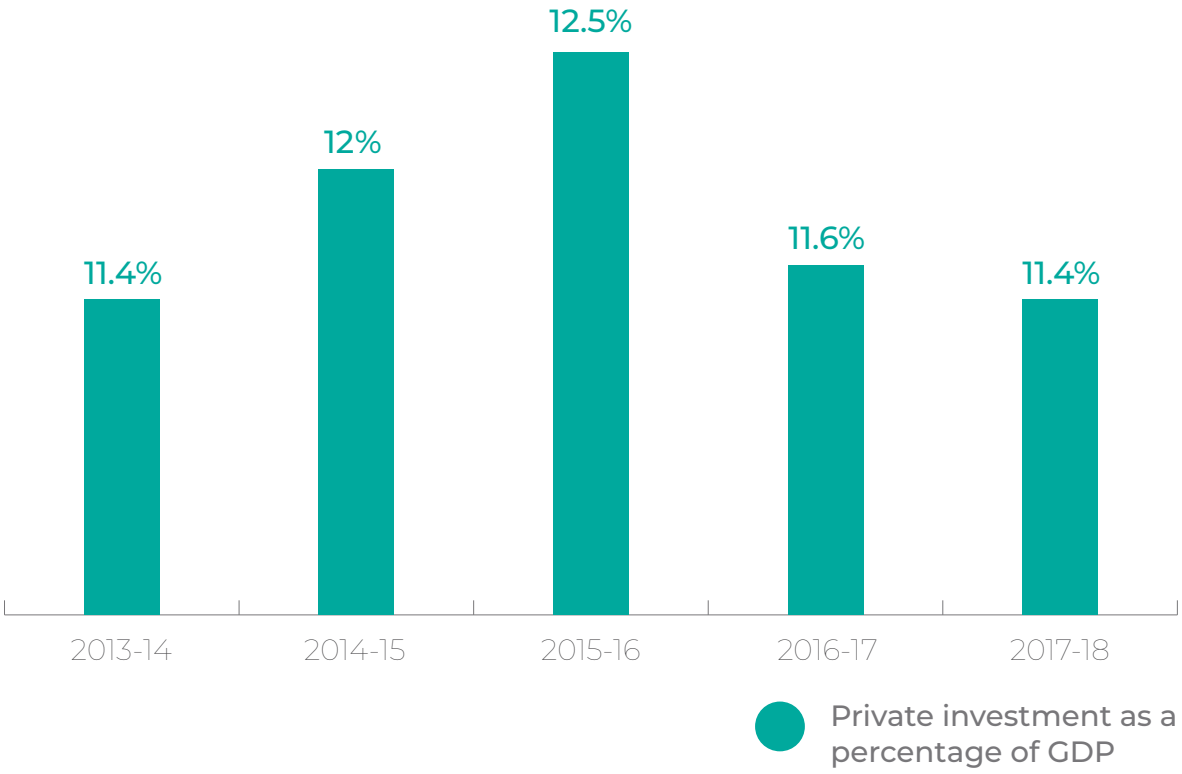
PRIORITY 4: INCREASE THE NUMBER OF QUALITY WORK OPPORTUNITIES AVAILABLE TO YOUNG PEOPLE

Educating the young, training them and connecting them to opportunities addresses 'supply side' issues. It is equally essential to address 'demand' by ensuring that Pakistan's economy can grows at pace, in order to create sufficient productive jobs. Demand for skilled young workers will come from a growing private sector, capable of investing in and sustaining a growing labour force.

SCALE OF THE PROBLEM

- **1.5 to 2 million** jobs need be created each year to absorb Pakistan's growing young population into the labour market.
- **7 to 8 per cent** average rate of economic growth is required to create this many productive jobs.
- **90 per cent** of the jobs in Pakistan are created by the private sector.
- Investment – the main driver of private sector growth – is stagnating due to the country's sub-optimal business environment.
- **Over one-third** of all young people are not in employment, education or training (NEET) and, across all regions, young women are worse off than young men. Although the gender gap in school enrolment has been closing, these gains have not yet translated into gains in secure, paid employment. Reaching girls during adolescence is critical because the decisions made and behaviours established during this period affect their horizons later in life.

Figure 27. Private investment as a percentage of GDP, 2013-2018



Source: Government of Pakistan, *Pakistan Economic Survey 2018-2019*, Ministry of Finance, Islamabad, 2019.

RETURNS ON PRIVATE SECTOR INVESTMENT

1%

increase in private investment (capital stock) would increase large-scale value added by more than 1.1%

1%

increase in value added investments in agriculture would increase the added value of large-scale manufacturing by over 1%

1%

increase in private investment (capital stock) would increase the added value of the crop sector by 0.4%

- A 1 per cent increase in private investment (capital stock) would increase the added value of the livestock sector by 1 per cent.
- A 1 per cent increase in private investment in the construction sector would increase its added value by more than 1 per cent (Government of Punjab, 2019).

WHAT HAS WORKED FOR IMPROVING QUALITY WORK OPPORTUNITIES?

- Punjab has initiated its 'one window' registration service and the Securities and Exchange Commission of Pakistan (SECP) has simplified the procedures. These are promising steps although more will have to be done, such as the implementation of a large-scale reform agenda envisioned in the draft national SME Policy 2019.
- Mexico's Rapid Business Opening System programme simplified local business registration procedures, promoting wage employment to rise by 2.2 per cent.
- In Peru, introducing e-payrolls was an important factor in reducing non-agricultural informal employment from 75 per cent to 68 per cent.
- In Afghanistan, 60 per cent of the 1,300 young women engaged in the Female Youth Employment Initiative (FYEI) found skills training useful for finding a job, including training on English language skills, computer skills, and life skills with a focus on health and nutrition.
- In Nepal, the treatment group of the Adolescent Girls Employment Initiative (AGEI) – which trained 4,410 young women on livelihood and life skills –had increased their non-farm employment by 14 percentage points, leading to an overall gain in employment of 47 per cent relative to the control group. Average monthly earnings increased by 45 per cent for the 2010 cohort and by 66 per cent for the 2011 cohort, relative to the control group (World Bank, 2016).

WHAT NEEDS TO BE DONE? LESSONS LEARNED ON EMPLOYMENT OPPORTUNITIES

- ✓ Public investments need to be well-directed and paired with growth-oriented regulatory reform to trigger private sector growth which, in turn, will result in higher demand for skilled young workers.
- ✓ The private sector will only invest in young people's employment if it is feasible and profitable to do so. Therefore, incentives for investment and greater economic efficiency must be ensured.
- ✓ Private sector growth requires a stable macroeconomic and policy environment; without these, businesses cannot estimate future cashflows and refrain from investing. The Government will need support to manage fiscal matters, taxation policies, interest rates, exchange rates, power pricing and duties, and overall domestic and international investment policy.
- ✓ The private sector thrives in transparent, effective and well-functioning economic governance systems. It also requires assurance about the security of its rights and assets, compliance with contracts, and an environment of fair, open competition. The cost of complying with the regulatory regime is a critical factor for levels of investment and growth. While Pakistan improved 20 places on the World Bank's 'cost of doing business' ranking between 2018 and 2020, much more needs to be done to ease business transactions on the ground.
- ✓ Addressing the challenges facing capital markets, labour markets and regulations will be key to increasing private sector productivity. For example, obtaining credit is difficult, especially for SMEs, despite the immense employment multiplier that credit entails. Similarly, restrictive labour laws require comprehensive revision.

✓ Infrastructure and energy are pre-requisites for private sector growth. For example, in Pakistan a 1 per cent increase in power load shedding reduces large-scale manufacturing value added by 1.2 per cent (Government of Punjab, 2019). There is a need for public sector investments in security, equitable development and the rule of law across Pakistan in order to encourage private sector development nationwide, rather than its concentration in isolated areas. This is especially important given the immense disparities in wealth and development across the country.

4.4 ENTREPRENEURSHIP

PRIORITY 5: FOSTER ENTREPRENEURSHIP AS A MINDSET AND A LIVELIHOOD

SCALE OF THE PROBLEM

- **0.5** employment elasticity in Pakistan means that the economy is not forecast to not produce more than 1 million jobs, far fewer than the Government's target of 2 million per year.
- While entrepreneurship has the potential to financially empower young people, they require training, financing and mentorship to become effective entrepreneurs.
- Platforms are emerging to incubate high growth start-ups. Nevertheless, access to these platforms is inequitable and university education includes limited content on entrepreneurship. Thus, many promising start-up ideas are never tested and young entrepreneurs do not understand how to succeed.
- There is no credible data on the employment of the 400,000 young people trained on technical skills and no dedicated programmes to provide guidance or financing for their businesses.

RETURNS ON INVESTING IN ENTREPRENEURSHIP

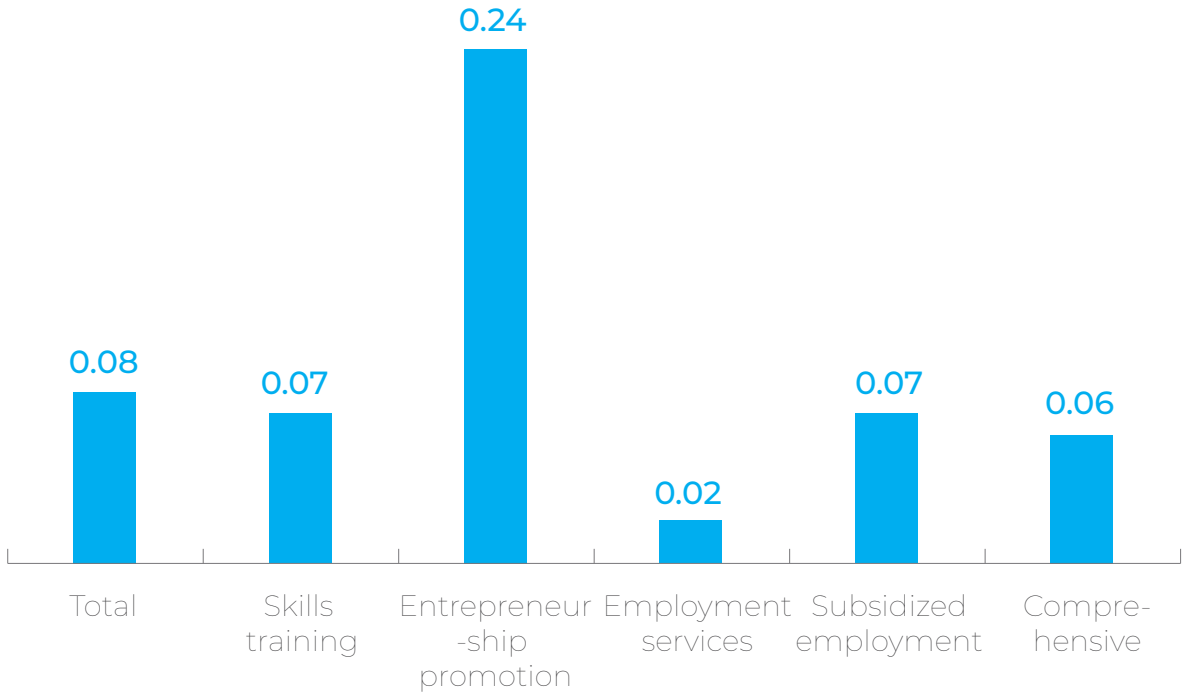
9.4%

increase in entrepreneurs' earnings for each additional year of education, vs 8.1% for employees

1.7%

higher returns on education for entrepreneurs than employees (van Praag et al., 2009).

Figure 28. Effects of interventions on young people's employment



Source: United Nations Children's Fund, *Overview of Evidence: Generation Unlimited Foundational Documents, 9 July 2019*, New York, UNICEF, 2019 (internal document).

WHAT HAS WORKED FOR YOUTH ENTREPRENEURSHIP?

- The Government's creation of national incubation centres have started to yield positive results, namely successful start-ups that are attracting private and venture capital.
- The Government's *Kamyab Jawan* programme aims to provide subsidized loans to graduates for business start-ups.
- The Government of Punjab is launching a low rate loan facility through the Punjab Small Industries Corporation (PSIC) for skilled graduates, offering them am entrepreneurship 'bootcamp' that will provide them with guidance and support.
- In Chile, capital training for 1,600 businesses caused employment to increase by 15.3 percentage points in the short-term and by 6.8 percentage points in the long-term.
- In Uganda, a skills training programme matched with follow-up support for young women led to an increase in working hours, from 14 to 25 per hours per week.
- A meta-analysis study reveals that entrepreneurship programmes for women which do not include a financing element are less effective than those which provided financing for start-ups.
- In the Netherlands, over 350,000 students participated in the BizWorld programme that develops young people's entrepreneurial mindsets. The programme has had a significant impact on self-efficacy, risk-taking behaviour and creativity.
- Countries where the costs of starting a business are lower, and where environments are business-friendly, experience greater start-up activity and job creation.

WHAT NEEDS TO BE DONE? LESSONS LEARNED ON ENTREPRENEURSHIP

- ✓ There is a need to enhance the quality of entrepreneurship education in Pakistan's universities.
- ✓ There is a clear need to diversify and expand the outreach of existing start-up incubator centres, with a view to making these more accessible to all young people – including women, youths in rural areas and TVET graduates.
- ✓ There is an urgent need to refine and develop a more enabling regulatory environment for entrepreneurship . For example, new firms are required to register with the Securities and Exchange Commission, involving reporting requirements that oblige enterprises to hire lawyers and accountants. Start-ups that require more than US$ 100,000 of venture capital are forced to register abroad due to regulatory issues in Pakistan. Moreover, the country has no legal frameworks to regulate crowdfunding.

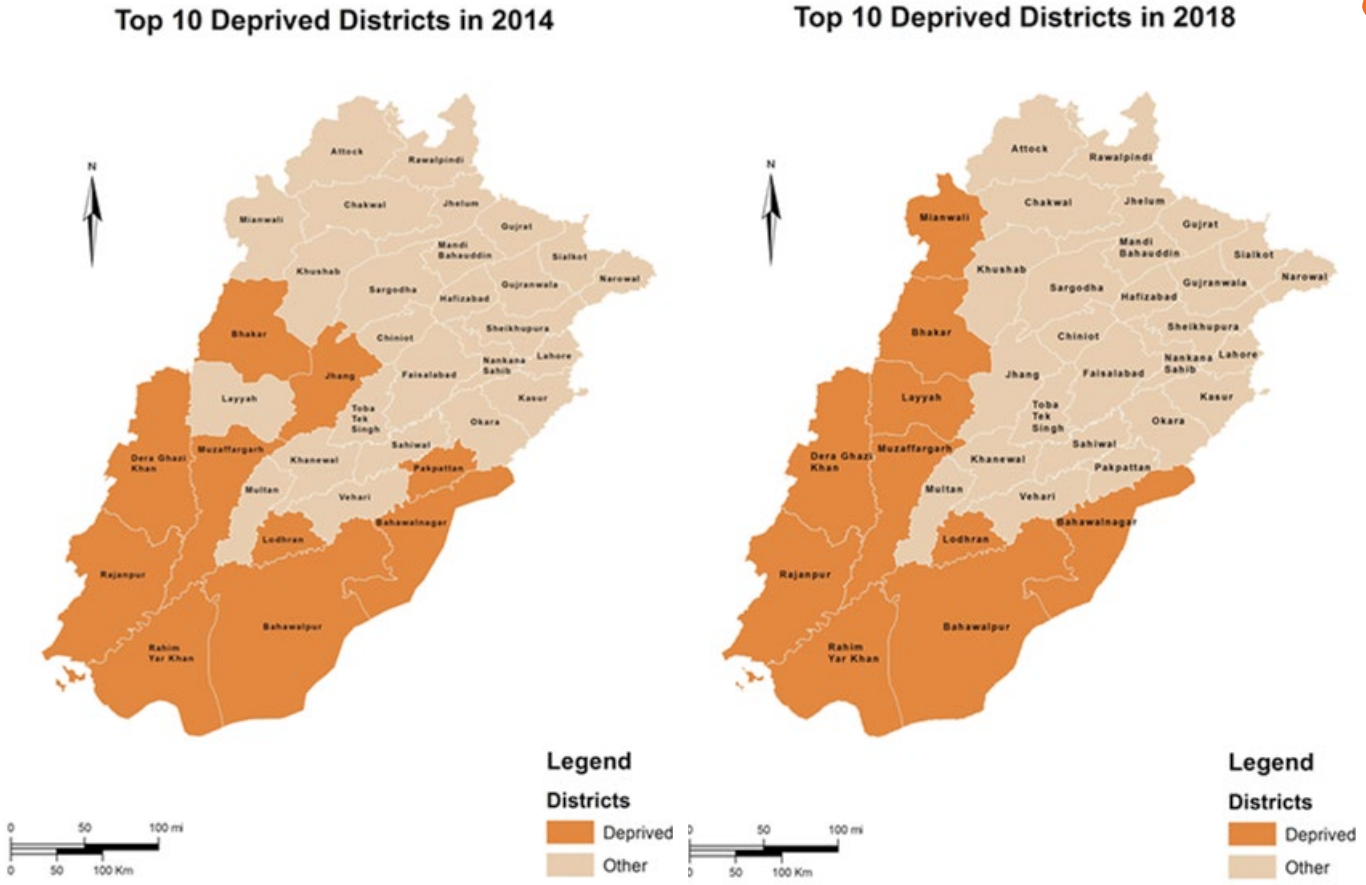
4.5 ENGAGEMENT

PRIORITY 6: PROMOTE EQUITABLE ACCESS TO QUALITY EDUCATION, TRAINING, EMPLOYMENT, ENTREPRENEURSHIP, AND CIVIC PARTICIPATION

SCALE OF THE PROBLEM

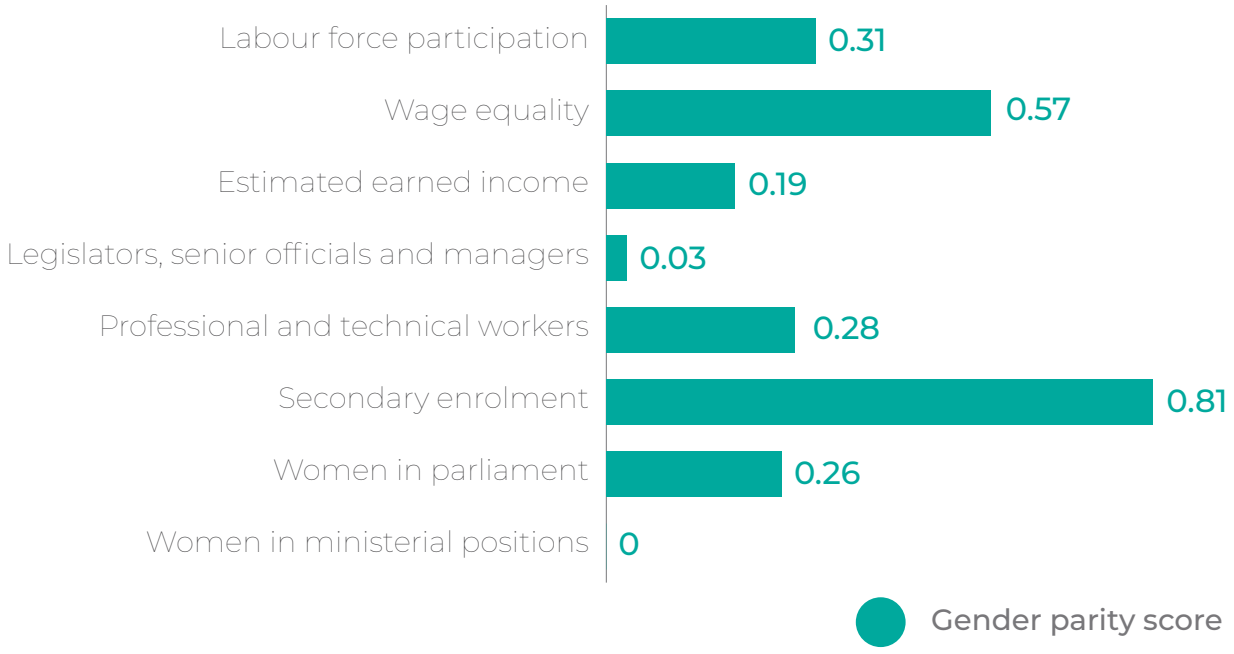
- Development has been uneven across Pakistan. Some areas have far higher rates of multi-dimensional poverty than others. Notably deprived areas include southern Punjab, northern Sindh, north-western Khyber Pakhtunkhwa, the Merged Districts of Khyber Pakhtunkhwa and virtually all of the districts of Balochistan.
- As a result of inequitable growth, economic opportunities are concentrated in a few well-off cities.
- Young people in deprived areas are significantly worse off than their peers in terms of access to, and the quality of, education, training, employment, entrepreneurship and prospects for engagement.
- Pakistan ranks 148 out of 149 countries on the World Economic Forum's Global Gender Gap index. Gender inequality is rife, with women particularly disadvantaged in terms of economic and political empowerment. Women in Pakistan rarely rise to senior positions, whether as managers, professional or technical workers, parliamentarians or ministers.
- Excluding half of the population deprives Pakistan of a priceless socio-economic resource, exacerbating deprivation and relegating young women to roles in which they are vulnerable to exploitation – such as domestic service or early marriage.
- Inequity, discrimination and exclusion are costly. For example, an evaluation of local governments in India showed that discrimination has a net cost of US$ 32 billion per year for education, employment and health.

Figure 29 Patterns of poverty, 2014 and 2018



Source: 2018 ranking tabulated using UNICEF's multi-indicator cluster surveys (MICS) 2018 and 2014 and the UNDP's multi-dimensional poverty index

Figure 30. Gender parity across key areas



Source: World Economic Forum, *Global Gender Gap Report 2018*, WED, Cologny-Geneva, 2019.

CURRENT INITIATIVES

- The Federal Government has considerably increased the development budget allocations for the Newly Merged Districts of Khyber Pakhtunkhwa (formerly known as the Federally Administered Tribal Areas (FATA)) to address large-scale deprivation among some of the poorest people in Pakistan.
- The Government of Punjab is planning to establish a new Secretariat for South Punjab and has banned the reallocation development budgets earmarked for this more deprived part of the province.
- To champion gender equality, the Government has established National and Provincial Commissions on the Status of Women. Despite the key role these have played in advancing women's rights and addressing gender inequality, far more concerted action is needed to achieve gender equality

WHAT NEEDS TO BE DONE? LESSONS LEARNED ON CIVIC PARTICIPATION

✓ Pakistan should prioritize civic participation to ensure young people's inclusion and enable them to contribute to the country's social and economic development.

✓ Several international frameworks support the inclusion of young people and women in policy-making and development. There is a need for stocktaking to determine which frameworks Pakistan has adopted, and which can be adopted. Efforts should focus on effective implementation at all levels.

✓ Alongside frameworks, interventions that change mindsets and behaviours are key to mainstreaming inclusion within the public sector. A focus on broad-based education, dialogue and awareness raising is required. There is a need to integrate ICT-based interventions to develop portals that train and educate young people, while providing them with opportunities for two-way communication with the public sector. As network coverage expands, such efforts are becoming increasingly feasible. Different approaches to participatory dialogue may be used to create a safe space for people from different backgrounds to develop positive relationships and build closer circles of trust.

PRIORITY 7: EQUIP YOUNG PEOPLE AS PROBLEM-SOLVERS AND ENGAGED MEMBERS OF CIVIL SOCIETY, HELPING TO CREATE A BETTER WORLD

SCALE OF THE PROBLEM

- There are few opportunities for young people to become engaged members of civil society or to voice their needs.
- **26 per cent** of Pakistan's 17 million citizens between 18 and 25 years old vote (Gallup survey), limiting their ability to select leaders.
- Pakistan has no legislation or policies centring on young people, although youth frameworks have been developed.
- Pakistan ranks **92 of 102** countries on Deloitte's Youth Progress Index 2017, as a result of exclusion, limited access to the internet and advanced education, and limited personal freedom.

WHAT NEEDS TO BE DONE?
LESSONS LEARNED ON YOUTH ENGAGEMENT AND PARTICIPATION

- ✓ Pakistan needs to take steps to increase young people's participation in decision-making processes.
- ✓ Developing legislation that makes it mandatory to consult and engage young people on the policies and interventions that affect them is vital for fostering young people's engagement.
- ✓ It is important to create platforms – including by working with policy-makers and development partners – through which young people's voices can be heard and responses recorded.
- ✓ Programmes to strengthen democracy should encourage young people to vote. Evidence from the United States reveals that 'get out and vote' campaigns have increased the youth vote by between 5 and 9 per cent.
- ✓ Local governments should establish two-way youth engagement platforms, so that young people can take part in decisions on budgets, spending and planning.
- ✓ Support should be provided to strengthen young women's groups advocating for rights and protection for women workers in the care economy, pay transparency policies, greater social protection, ending gender-based job discrimination and closing the gender gap.

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