

.....

DEMOGRAPHIC DIVIDEND: ACTUALIZING THE YOUTH POTENTIAL IN PAKISTAN

1. Introduction

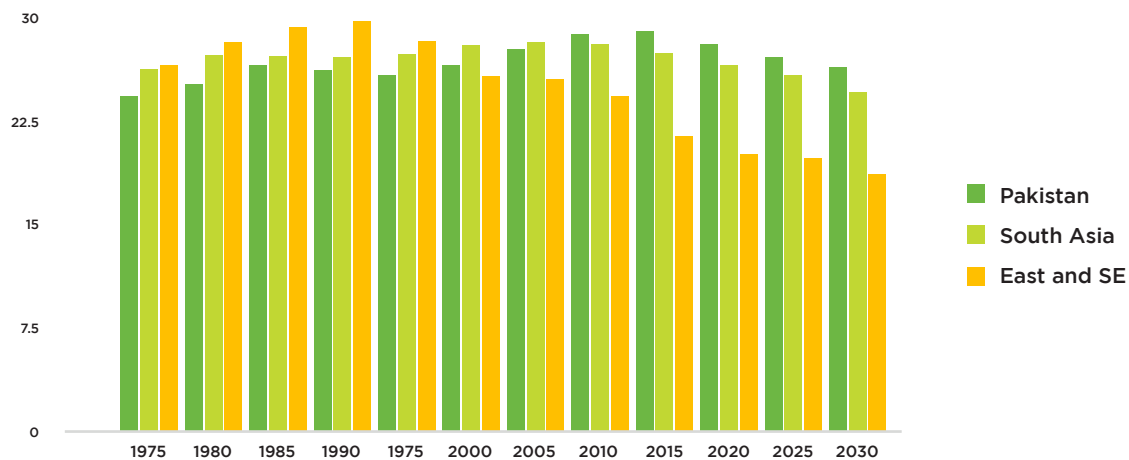
Fertility transition is taking place in Pakistan, albeit slowly, and there is an opportunity to reap the benefits of a “demographic dividend”: the economic opportunity provided by the age structure changes which follow a sustained decline in fertility. This change in age structure leads to economic growth opportunities in three ways. First, by increasing the proportion of working-age persons, particularly youth, in the total population it increases the ratio of economically active individuals to dependents (roughly, those below age 15 and 65 years and above). Second, reduced fertility enables women to enter the labour market. Third, a reduction in the young dependency ratio allows for increased investment in child health

and education, enhancing in the long run overall productivity and improving the skill level of the labour force. Eventually, aggregate savings tend to increase as the large working age population save for retirement, leading to further economic growth through increased investment.

The modest fertility declines in Pakistan over the last 30 years and the resulting changes in age structure have resulted in a continuing rapid increase in the young population and a small “youth bulge” (see Figure 1). Currently, Pakistan has more young people than it has ever had, and the number is expected to continue increasing until 2050.

Figure 1.

Changes in percentages in the youth population (15-29), 1975-2030: Pakistan, South Asia, East and South East Asia



Youth has the power to transform the country’s future, but Pakistan has not taken effective advantage of the demographic opportunity the “youth bulge” offers. ***The problem is that every age group in the Pakistan population is continuing to grow rapidly.*** The overall rapid population growth is posing enormous challenges for equitable development.

What policy measures and steps are needed to enable Pakistan to convert the youth bulge into a demographic dividend? This Policy Brief addresses the following pertinent questions:

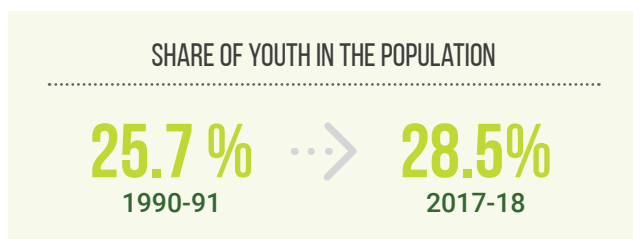
- What is the profile of youth in Pakistan? Does it provide a sound foundation for a demographic dividend?
- What are the key challenges for Pakistan in converting the youth bulge into the demographic dividend?
- What actions would it take to actualize the youth potential in Pakistan?
- What would be the benefits to Pakistan if the youth bulge is converted to a demographic dividend?

2. Youth Profile: Assessing the Foundations for a Demographic Dividend

In Pakistan, youth are defined as women and men age 15-29. The standing of Pakistan in relation to some key youth and gender indicators is discussed in this section.

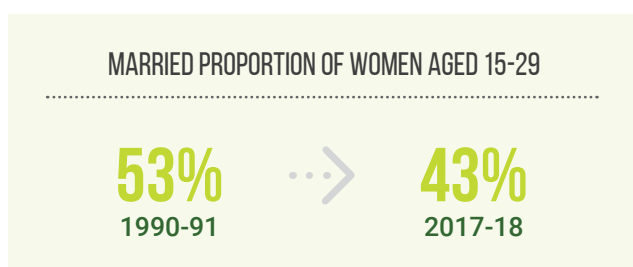
Youth bulge

Numbers of youth have been growing rapidly, by about 33 million since 2000, a rise of 85%. But because all sections of the population are growing rapidly, the share of youth in the population has increased only slightly - from 25.7% in 1990-91 to 28.5% in 2017-18, an increase of 2.8 percentage points in about three decades. The reason for the “youth bulge” is that fertility decline – although slow - lowered the proportion of children (aged 0-14) in the population. But because this decline has been modest, the “youth bulge” is not very pronounced.



Marriage

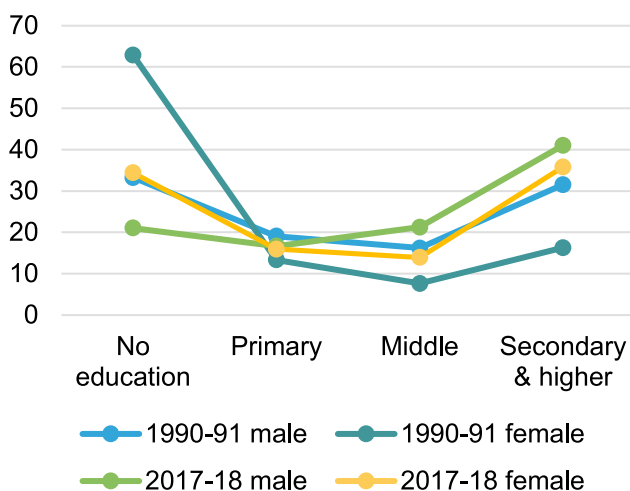
A delay in marriage affects fertility levels in the reproductive ages. Among women aged 15-29, the married proportion decreased from 53% in 1990-91 to 43% in 2017-18. Teenage childbearing has also declined.



Education and labour force participation

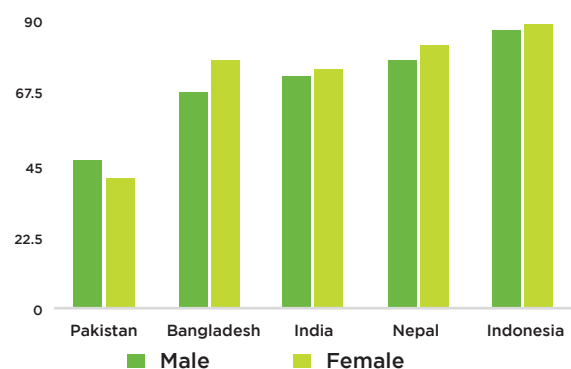
There has been only very slow improvement in literacy and educational attainment among the youth. More than a third of young women and a fifth of young men had no education at all (Figure 2).

Figure 2.
Educational attainment of youth (15-29) by gender, 1990-91 and 2017-18



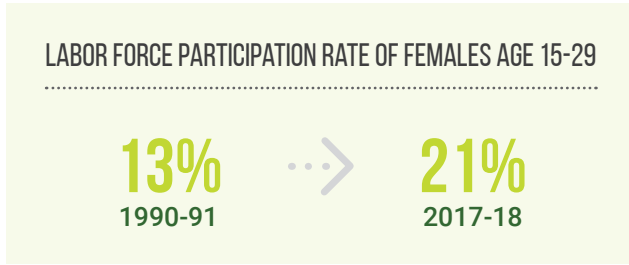
While the gender gap in youth illiteracy persists, the gap has narrowed in secondary and higher educational attainment. Pakistan compares very unfavourably with other countries in the region in female secondary gross enrolment ratios (Figure 3).

Figure 3.
Gross enrolment ratios in secondary education, 2019



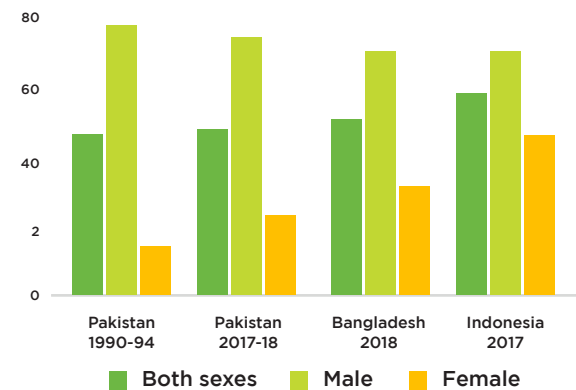
Source: UNESCO UIS

But focus on female education, while crucial, should not blind us to the fact that even male educational enrolment in Pakistan is not much better. As shown in Figure 3, secondary enrolment ratios for males lag far behind Bangladesh, India, Nepal and Indonesia.



The labor force participation rate of females age 15-29 remains dismally low in Pakistan, though it has grown over the last three decades from 13% in 1990-91 to 21% in 2017-18. While it is on a par with India, it lags behind the high and growing levels that have been seen in Bangladesh, and is far behind most countries of Southeast and East Asia (Figure 4). Female labour force participation is strongly associated with at least a secondary school education and tends to end once women marry.

Figure 4.
Labour force participation rate, ages 15-29, by gender: Pakistan, Bangladesh and Indonesia



When labor supply increases there is a potential for more employment and economic growth, but this will only occur if jobs are available. Lack of

employment opportunities can lead to large scale unemployment. The youth unemployment rate in Pakistan (11.6% among the 20-24 years age group) is well above the average unemployment rate (GoP, 2018). Unemployment rates for women age 15-29 (around 13% in 2017-18) were higher than for males. It appears that the working environment has not changed for Pakistan’s youth over time (UNDP, 2020).

A total of 11.115 million Pakistani workers went abroad for employment between 1971 and December 2019, mainly to the Middle East (96%). The mean age of emigrant workers at the time of migration was 26 years.

Information technology and participation in political activities

The 2019-20 Pakistan Socio-economic Living Standard Measurement survey shows that more than 12% of the households own a computer and one- third of the households have access to internet. About a quarter of the youth (15-29) used the internet in three months preceding the survey. The use of internet is considerably higher among males (31%) than among females (17%).¹ The findings of a recent study show that youth have interests in political activities, such as participation in political discussions in public spheres and electoral activities (Saud et al., 2020).



¹ The information on youth is for the 2018-19 period (PSLM).

3. Challenges for Pakistan in converting the youth bulge into a demographic dividend

The last 30 years' experience of Pakistan show that Pakistan could not take advantage of the changing age structure because of the continued rapid growth of the dependent population and a weak economy - well below the 7 to 8% per annum GDP growth considered to be necessary to absorb the growing youth population into productive employment (Figure 5).

Figure 5.
% GDP growth rate by decades

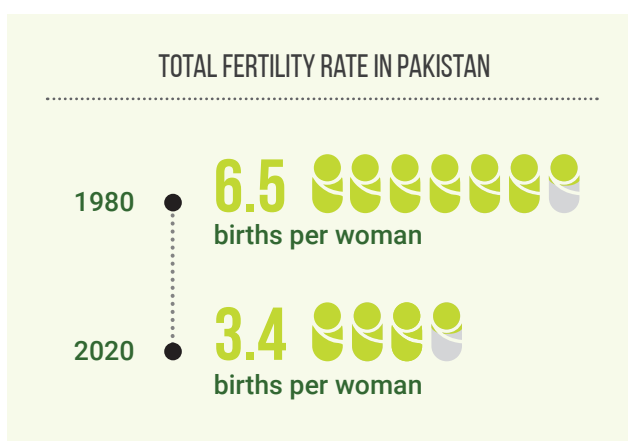


The four key challenges faced by Pakistan in the context of a weak economy are as follows:

- *Slow fertility transition and a rapidly growing youth population*
- *Low educational enrolment rates, especially for girls*
- *Low female labour force participation*
- *Mismatch between increasing working age population and labour demand*

The remainder of the policy brief will focus on these four challenges and their underlying causes, followed by the actions needed to overcome the challenges, and the impacts that can be expected. For comparison, the international experiences in reaping the demographic dividend particularly in Bangladesh, India and Sri Lanka are also reported under different challenges.

3.1 Slow fertility transition and a small youth bulge



The total fertility rate in Pakistan has fallen considerably over the last 40 years, from over 6.5 children per woman in 1980 to just over 3.4 children per woman in 2020. However, this decline is far less than the decline in fertility in other

countries in the region. In particular, India and Bangladesh had very similar fertility to Pakistan in 1980 but have since seen a more rapid decline, with TFR now around 2.2 in India and close to 2.0 in Bangladesh (Figure 6). The modest fertility declines in Pakistan over the last 40 years and the resulting changes in age structure have resulted in a continuing rapid increase in the young population and a small youth bulge. But because fertility decline has been modest, the youth bulge, although not very pronounced, is still there, and the ratio of working age to dependent population remained very low compared to other countries of the region (Figure 7). Both the slow fertility transition and small youth bulge are among the key challenges for converting the potential of youth into a demographic dividend in Pakistan.

Figure 6.
Total Fertility Rate (births per woman)

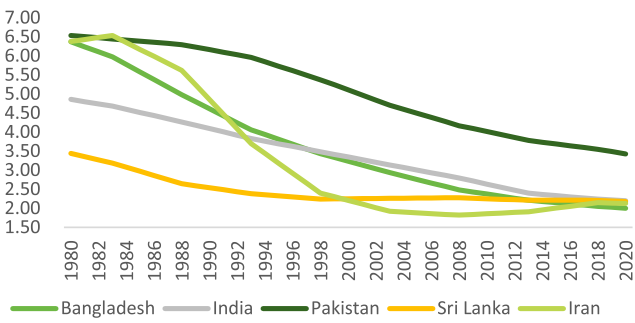
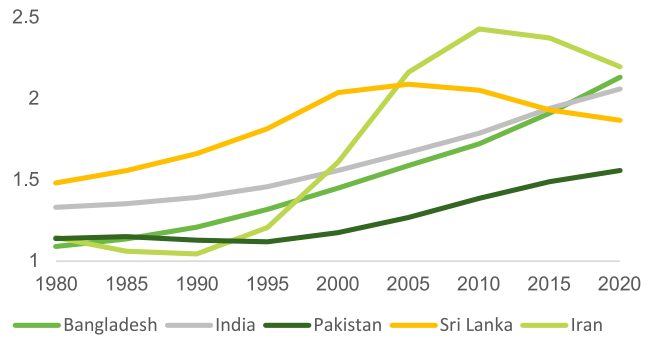


Figure 7.
Ratio of Working Age to Dependent Population

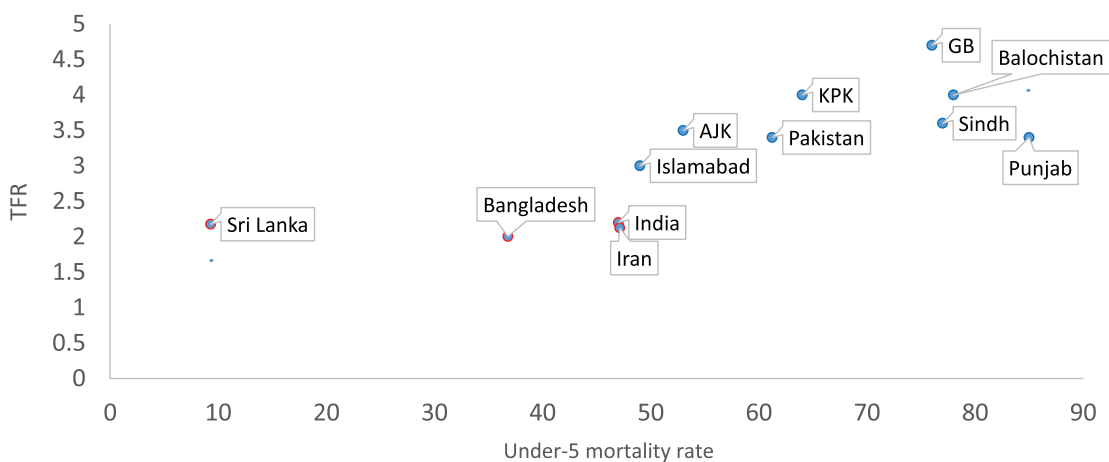


Underlying causes of slow fertility transition

The three underlying causes of slow fertility transition in Pakistan are: (i) high, albeit declining, infant and child mortality; (ii) persistent desire for 3-4 children - probably related to (i); and (iii) high unmet need for family planning. Neither actual fertility nor desired fertility has changed very much in recent years. As long as desire for children remains as high as it is, rapid fertility transition will remain a distant dream for Pakistan. High child mortality is an important driver of fertility desires in Pakistan. In 1980, the under 5 mortality rate in

Pakistan was lower than in India or Bangladesh, but because of only slow declines, it is now substantially higher than in these comparator countries, and is a major barrier to achieving lower fertility. Figure 8 shows the relationship between the under 5 mortality rate and the total fertility rate between countries and across regions of Pakistan (NIPS, 2019); there is a clear association, with countries and regions that have higher child mortality having higher fertility.

Figure 8.
Relationship between fertility and under-5 mortality, 2020



Finally, only 34% of currently married women are using a contraceptive method either to space or to limit births. As many as 17% of currently married women have an unmet need for family planning. If all married women who want to space or limit their children were to use a family

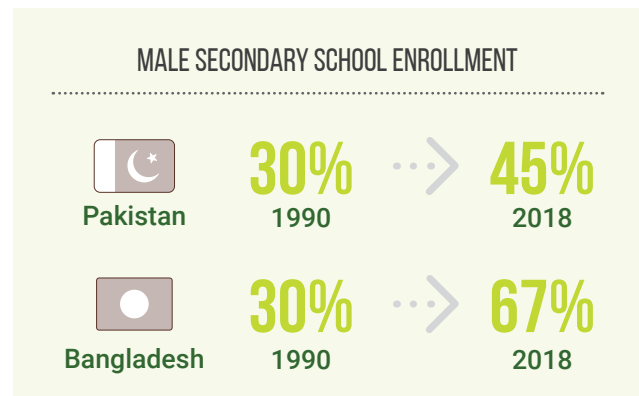
planning method, the contraceptive prevalence rate would increase from 34% to 52%. Providing family planning will not only have fertility effects, but also provide health benefits. It can reduce both child mortality and adverse health outcomes in children and mothers.

3.2 Low educational enrolment rates, especially for girls



The second challenge in converting the youth bulge into a demographic dividend is the low educational enrolment rates and literacy, especially for girls.

In 1990 Pakistan and Bangladesh had similar levels of male secondary school enrollment, around 30%, but Bangladesh has subsequently seen a considerably better performance, reaching 67% in 2018 compared to 45% in Pakistan. The current gap for females is even wider. Today at least 20 million Pakistani children are out of school, which will result in the skill level of the workforce lagging behind other countries for the foreseeable future, with negative consequences for its competitiveness. In addition, the gap



between male and female education levels means a lack of female empowerment both in the home and the workplace. The education system in Pakistan is not producing the skills and abilities required for a highly productive workforce.

Underlying causes

- Because of persistent high fertility, there are more young people in Pakistan today than at any point in its history. Each year the country gains three to four million more people, overburdening public services from schools to hospitals. Pakistan is facing a serious challenge to ensure all children, particularly the most disadvantaged, attend, stay and learn in school.
- Pakistan spends only 1.5 - 2.5% of its GDP on education, much lower than the international benchmark of 4% of GDP. Low public spending on education leads to poor outcomes with regard to literacy and education levels.
- Girls are out of school because of cultural norms and patriarchal societal practices – stronger in some regions than others – which resist having girls in school, especially after puberty. Their chances of getting a quality education are even smaller if they come from a poor family, live in a rural area or have a disability. The poorest girls also have the least likelihood of completing primary school. Too often marriage is seen as a higher priority than education.
- Demand for education is held back by the lack of high paying jobs for educated young workers.

3.3 Low female labour force participation



Improving female education and a decline in fertility levels will not on their own lead to large increases in female labor market participation; it is important to also transform employers'

attitudes, along with social norms around female safety and their ability to work independently. One deterrent to female labor force participation is that the jobs available to women pay low wages.

Underlying causes

Five key underlying causes for the low female labour force participation rate in Pakistan include:

- Negative community attitudes toward women in the workforce
- Low levels of educational attainment for young women (female employment is strongly associated with at least a secondary school education)
- Discrimination by employers, despite legal protections for female employment, and one of the world's most extreme gender pay gaps (Huynh, 2016; United Nations, 2020)
- Household responsibilities are prioritized
- Fear for physical safety, in the journey to work and in the workplace. Many women would be willing to work only within their own home.





3.4 Mismatch between increasing working age population and labour demand



Pakistan's demographic transition ensures an abundant labour supply for decades to come; presently, because of past high birth rates, around two million young people enter the labour force each year, providing the potential for more employment and economic growth.

Labour supply could be further increased by rising numbers of women seeking employment as fertility falls. But labour demand resulting from more rapid economic growth is needed to turn this into a demographic dividend.

Underlying causes

The current slow growth of the economy (Figure 5) raises serious concerns about job creation. Workers in Pakistan are being forced into low productivity and low wage jobs in agriculture and the informal sector. In countries that have successfully harnessed a demographic dividend the initial growth in jobs has come in manufacturing, followed by a growth in services once a higher level of income has been achieved. The Pakistan

economy is proving incapable of absorbing young labour force entrants, especially fresh graduates; the unemployment rate among degree-holders is almost three times higher than for the rest of the workforce. Part of the problem is that with poor learning outcomes in secondary education, these young men and women are getting low value bachelors and master degrees from below-standard public and private colleges.

4. Key actions required for actualization of youth potential

Considering both the challenges faced by Pakistan and international experiences in actualizing the youth potential and demographic dividend, this section recommends key actions required to take effective advantage of the demographic opportunity the “youth bulge” offers to Pakistan.

1 Rapid fertility transition and a more pronounced youth bulge



1. Public health services must be integrated, expanded and focused on the SDG targets for child and maternal mortality to:
 - a. End preventable deaths of newborns and children under 5 years of age, aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under 5 mortality to at least as low as 25 per 1,000 live births by 2030 (SDG target); and
 - b. Reduce the maternal mortality ratio to less than 70 per 100,000 live births by 2030 (SDG target)
2. Policies to raise school enrolments and keep disadvantaged girls in school are absolutely crucial for rapid fertility transition (Details given under action 2).
3. The provision of family planning information and services must be better integrated by the Ministry of Health and Ministry of Population Welfare. Family planning services must be given higher priority in public health programs, aimed at achieving the target of 50% CPR by 2025.
4. Small family norms should be promoted by engaging all segments of the society including youth, civil society, political parties, religious scholars, and all other stakeholders. Educated women may particularly be held up as role models in raising quality children.
5. In line with the 18th Amendment, an accountability mechanism should be developed at the province and district level to implement and achieve the targets related to population, maternal and child health and family planning.

2 Raising educational enrolment rates



1. Mass enrolment of children up to secondary level should be ensured, specifically by:
 - a. Raising government’s education budgets to 4% of GDP;
 - b. Providing necessary education infrastructure and safe environments particularly for girls in rural areas;
 - c. Using mosques for primary education, where necessary; and
 - d. Involvement of local bodies and civil society in encouraging families to enroll their children in schools.
2. Incentives may be given to keep disadvantaged girls in school through schemes of conditional cash transfers, fee waivers, and school lunch programs under the Ehsaas Program.

3. Adequate sanitation and toilet facilities should be ensured, particularly in girls' schools.
4. Transport for girls in rural areas may be arranged with the cooperation of local communities.
5. Early marriage needs to be discouraged and later marriage fostered through enforcement of regulations, community and school-based campaigns.
6. An accountability mechanism to monitor the progress in the education sector should be developed at the province and district levels.

3

Raising female labour force participation

1. Strong community campaigns needed to support young women's participation in the labour force.
2. Government, community and employers groups must campaign to ensure that employers give young women fair access to job opportunities.
3. More employment opportunities for women in the public and formal sectors of the economy may be ensured including health and education sectors, civil service, legal sector, and business
4. School-going girls should be provided guidance about employment prospects.
5. Regulations designed to reduce the gender wage gap and to improve the working environment should be strictly implemented.
6. Following in the path of large numbers of women from Bangladesh, India, Indonesia and Sri Lanka, Pakistani women may be assisted in securing jobs in overseas labour markets e.g. Middle East.



4

Creating employment opportunities for youth

1. Sustained export-led growth is needed to absorb the youth bulge. While the China-Pakistan Economic Corridor (CPEC) can play an important role in the development of infrastructure and special economic zones, Pakistan needs to build on the success of its textile sector. It could gain a foothold as a source of labour-intensive manufacturing, though it will face tough competition from other lower- and medium-income Asian countries.
2. The service sector is largely informal in Pakistan, absorbing workers in construction, trade and transport subsectors. Service sector growth must focus on activities providing employment for those with higher levels of education.
3. Prioritize school system reform aimed at turning out young people well equipped to play their role in a modern economy.
4. Temporary overseas migration of workers for employment will be a boon if it generates jobs and remittances to Pakistan, and workers return with enhanced skills.



5 Promote inclusion and mitigate inequality



Perhaps most important of all is the need for basic enabling policies to actualize the youth dividend:

1. Reform of the regressive taxation system is essential to provide the resources needed for massive health and education investments.
2. Consistent with the recommendations of the NHDR 2020 (UNDP, 2020), the three 'pillars' strategy may be adopted to tackle inequality in Pakistan:
 - a. reducing the privileges of the elite, especially those related to tax breaks and concessions, favourable pricing mechanisms, and preferential access to land, capital, and infrastructure;
 - b. spending more on human development and social protection by using the revenues and savings generated once the privileges of vested interests are reduced; and
 - c. improving conditions of work and providing employment, particularly by enhancing the rights of workers, advancing women's legal right to work, and raising the minimum wage and ensuring its full coverage.

In short, correct policies and investments are needed to reap the benefits of the demographic dividend. The investments are high, but the benefits are huge and long lasting and the cost of failure is exorbitant.



5 Impacts: actualization of youth potential and demographic dividend

The opportunity for a demographic dividend will be available for the next 2-3 decades if fertility can be further lowered and the actions, as

recommended in this brief, are implemented. The following profound impacts would follow.

- 1 First, a rapid decline in fertility will make the youth bulge more pronounced, with declining child dependency ratios. This would initially enable households to better meet their basic needs and then invest available resources for health and education. An increase in public expenditure on health and education, spent on smaller cohorts of children, means an improvement in human capital.
- 2 Second, both the fertility decline and rising educational levels will contribute significantly in enhancing female labour force participation, which could gradually reach the level of 40 percent.
- 3 Third, the modern sectors of the economy, primarily manufacturing, will grow rapidly with the investment under the CPEC initiative, FDI and investments by Pakistani diaspora. The modern sector will have the support of an educated and skilled workforce.
- 4 Fourth, Pakistan is the most urbanized country in South Asia. The potential of its cities for sustained economic growth and reaping the demographic dividend will be harnessed as the cities generate knowledge spillovers and reduce transaction costs.
- 5 Fifth, Pakistan will gradually achieve the target of 7-8 percent per annum GDP growth on a sustainable basis, supported by high domestic savings and investment during the second phase of demographic dividend.
- 6 Sixth, all these demographic, social and economic changes will bring political stability in the country and strengthen democratic norms, leading to social inclusion.

However, if the identified challenges are not addressed urgently by policy and programmatic actions, Pakistan may:

- lose the socio-economic development opportunities provided by the demographic transition;
- face high levels of youth unemployment and high dependency ratios;
- remain vulnerable to high levels of poverty and inequality; and
- face socio-economic and political instability.

REFERENCES

- Government of Pakistan (2018), Labour Force Survey 2017-18, Government of Pakistan Ministry of Statistics Pakistan Bureau of Statistics, Islamabad.
- Huynh, Phu, 2016, "Gender pay gaps persist in Asia's garment and footwear sector", Asia-Pacific Garment and Footwear Sector Research Note, Issue 4, ILO.
- National Institute of Population Studies (2019), Pakistan Demographic and Health Survey 2017-18, National Institute of Population Studies, Islamabad, the DHS Program ICF Rockville, Maryland.
- Saud, Muhammad, Rachmah Ida & Musta'in Mashud (2020), Democratic practices and youth in political participation: a doctoral study, International Journal of Adolescence and Youth 25:1, 800-808, <https://doi.org/10.1080/02673843.2020.1746676>.
- UNDP (2020), Pakistan National Human Development Report 2020: The three Ps of inequality: Power, People, and Policy, the United Nations Development Programme (UNDP).
- United Nations, Department of Economic and Social Affairs, 2020, "Global issue: economic inequalities along gender lines remain pervasive", Monthly Briefing on the World Economic Situation and Prospects, No. 135.

DEMOGRAPHIC DIVIDEND:
ACTUALIZING THE YOUTH POTENTIAL
IN PAKISTAN



Government
of Canada

