

ABSTRACT

This study is an attempt to analyze the youth labour market activities and outcomes in Pakistan. Based on micro data of Labour Force Survey (2006-07), the strength of analysis presented in the study is twofold. First, it presents a comprehensive descriptive analysis of youth labour market at provincial and country level. Second, the econometric analyses describe the determinants of youth activities, employment probabilities, wage, employment status and supply of working hours in Pakistan. Moreover, a comparison between youth, child, and adult labour market outcomes is also made to judge the relative position of youth in the labour market. One of the main contributions of the study is that it tests the link between educational attainment and youth labour market outcomes in Pakistan. More specifically, we set the human capital theory not only in terms of wage equation but also extend it to analyze the impact of human capital on probabilities of employment, employment status choices and decision of hours worked. Our results confirm the hypothesis that increase in the level of education increases the earnings of individuals. Surprisingly, however, we find higher probabilities of unemployment among educated youth in Pakistan. Further analysis shows that lack of proper skills and experience, higher expectations about job and earnings, predominance of the informal economy (which is highly biased towards unskilled low wage labour) are the main factors that may contribute to the higher unemployment among the educated youth in Pakistan. Results show that young people with higher education level are more likely to be an employee instead of self-employed. On the other hand, youth with low level of education are more likely to be self-employed and less likely to work for normal hours. Another important contribution of the study is the analysis of youth labour market based on usual status approach. We find large differences between unemployment rates based on weekly status and usual status approaches. The main reason of such differences is the selection of one week reference period which greatly undercounts the extent of unemployed people in the country. The study shows that a significant percentage of young people start their career early and are vulnerable in the labour market. Moreover, a substantial percentage of youth is neither in labour force nor enrolled as student which shows the wastage of human resources in the society. To empirically investigate the youth labour market outcomes, the study uses two types of econometric techniques, logistic and multinomial logistic regression analyses. Our results suggest that youth living in rural areas are more likely to participate in economic activities, work in informal or agricultural sector, work for fewer hours and are less likely to be unemployed or enrolled as a student as compared to their urban counterparts. In general, being a female reduces the chances of employment or full-time student, and increases the chances to remain in the vulnerable employment throughout the working life. Our results show that age, sex, marital status, migration, training, location, employment status, education level and characteristics of head of household have significant impact on youth labour market activities and employment probabilities. Similarly, young people living in households with better employment status and education of the head of household are more likely to enroll as a student

instead of being engaged in informal and low paid activities. Results of the multinomial logit estimates for supply of working hours suggest that chances of working for excessive hours increase if the young person is male, living in urban areas or have status of employer or self-employed. At the end, study makes some recommendations that youth in Pakistan cannot be considered as a homogeneous group, their preferences and opportunities of work depend upon their age, sex, marital status, education level and family structure. Therefore, the needs of youth must be addressed in a comprehensive manner keeping in view their educational, social and labour market requirements in different regions of the country.