

ASC 14.03 ▼ -0.15 (-1.06%)

ASL 21.90 ▼ -0.55 (-2.45%)

AVN 88.15 ▼ -0.95 (-1.07%)

BOP 7.79 ▼ -0.01 (-0.13%)

BYCO 9

BR100 4,818
▼ -26.59 (-0.55%)

BR30 24,936
▼ -171.98 (-0.68%)

KSE100 44,863
▼ -196.01 (-0.44%)

KSE30 18,351
▼ -113.13 (-0.61%)



Coronavirus
VERY HIGH

Pakistan Deaths
17,680 ▲ 151^{24hr}

Pakistan Cases
815,711 ▲ 5480^{24hr}

Sindh
281,385

Punjab
298,818

Balochistan
22,118

Islamabad
74,640

KPK
116,523

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OPINION

Pakistan's human capital conundrum

BR Web Desk | Shahid Mehmood 23 May 2020

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In 1986, the Journal of Political Economy (JPE) published a paper ('Increasing returns and long run growth') by a relatively unknown economist. The same person, Paul Romer, got another one published in 1990 ('Endogenous technical change'), which had managed to garner more than 20,000 citations by 2015! Together, these two articles changed the landscape of how the world contemplated long-run economic growth. It was Romer, and his research, that firmly entrenched the role of 'human capital' as arguably the most important component of long-term economic growth. Although there is no precise definition of the term, it generally stands for the cumulative knowledge possessed by an individual or society which can be usefully tapped for the purpose of income generation and economic growth.

In short, what Romer argued in these two pieces was that firms' investment in human capital generates significant positive 'spillovers', in effect perpetuating increasing returns, which more than offsets the decreasing returns from physical capital stock (machinery, for example). The all-important aspect of technological change (that leads to growth in productivity) is an endogenous phenomenon, implying that it is driven by forces that are concerned with creation of knowledge within a society.

Romer's theories ushered in 'endogenous growth models', breaking the hold of 'Exogenous growth models' that viewed technological change as exogenous (determined through outside factors). Chief among these was Robert Solow's famous model (presented in 1957), which treated technical change as a 'residual' (unknown). Moreover, there is little or no mention of human capital in these models.

By now, majority of policymakers around the world are cognizant of the importance of human capital, and for good reason! The 'spillovers' of human capital are quite

substantial, ranging from the design of welfare states to the determination of income inequalities, poverty and inequality. China's remarkable transformation, for example, contains a substantial element of human capital. Whalley and Zhao (2010) found that 38 percent of China's economic growth between 1978 and 2008 was due to human capital, with the percentage going up considerably higher if the period is shortened from 1999 to 2008 ('The contribution of human capital to China's economic growth').

Sadly, the importance of human capital for economic growth seems to be completely lost upon Pakistan's policymakers. We either have no or very little in terms of systemic approach to tackle the sorry state of human capital development within Pakistan. The approach of the state has been exclusively fixated upon quantity rather than quality. Thousands of schools, colleges and around 200 universities are churning out graduates that can hardly compete at the global level. There are exceptions, but too little to make any difference to cumulative state of human capital development.

There is an even more worrying trend: majority of Pakistan's youth want to leave Pakistan. This is disconcerting for several reasons, since educated, enlightened and skilled youth are the harbingers of progress and socio-economic change. Yet the immigration numbers paint a bleak picture. The trend that started in the 1960s continues unabated. Statistics by Bureau of Immigration suggest that an estimated 10 million Pakistanis have left the country in last decade or so, with a large percentage being skilled, well-educated young lot (engineers, medical practitioners, accountants, etc.). A research on Pakistan's largest city, Karachi, found that almost half of the young people in the city wanted to leave Pakistan ('Determinants of youth immigration', Ammad Zafar). Nobody should be surprised if similar (or higher) numbers turn up in other cities.

Simply put, whatever reasonable quality human capital exists in Pakistan, it wants to leave the country.

So what makes Pakistan talent repellent? Why is there little or no policy in terms of harnessing human capital to enhance growth prospects?

Start with the overall state of governance in the country, which does not instill any confidence in citizenry about the future. Whether it is law and order, provision of utilities or the state of justice system for dispute resolution, the overall state of affairs has remained pathetic for long. This is complemented by the nonchalance of successive governments towards this critical issue. Either they have little or no idea of what human capital entails for economic development, or they are simply not interested. One recalls a foreign correspondent's question to Yousaf Raza Gilani, the then PM. When asked why so many Pakistanis wanted to leave the country, he replied: 'who is stopping them from doing so?' The answer stunned the correspondent to no extent.

Then there is the overall state of society. Reverence to authority and conformity is a major demand in both public and private sectors. Ideas, especially those that have the potential to challenge status quo, have little or no buyers. People are worried about titles, yet nobody seems to care that there are no parks, playing grounds, libraries and cinemas in living communities that can foster social capital and exchange of ideas. There is, for example, no reading culture but an over-zealous social media that thrives on cheap sensationalism to derive ratings.

Similarly, the youth are taught that there is no other alternative to a 'good job' other than public sector jobs. You get pay at the end of the month, and at the end of the rather unproductive career, one gets to realize subsidized plots and pension. This approach turns even the most talented into cogs ready to be fitted into a colonial era working machine rather than innovative beings that can carve out a niche for themselves.

Additionally, we have regulations in everything that kill ideas and social capital. Housing and urban land market is one prime example. State regulations have resulted in a backlog of about 9 million housing units. Trillions of rupees of urban land, that has the potential for creating thousands of jobs, become 'dead capital' because our cities and housing arrangements are never designed by professionals who compete on ideas. Rather, they are designed by civil servants who are more worried about their plots and perks.

One can argue further, but the above cited factors basically convey the reasons for despondency of the people (especially the youth) and why they prefer to leave the country. Sadly, immigration is celebrated at official level because it opens avenues for more remittances. However, there is little or no realization that the country suffers as economic assets in the form of skilled, enterprising youth leave the country. As Paul Collier, a leading light of development economics put it, remittances are not 'transformative', but 'palliative'.

One wonders when will Pakistan see a course correction in terms of properly developing and harnessing its human capital for economic growth?

(The writer is an economist and Research Fellow at PIDE. He tweets @ShahidMohmand79)

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BUSINESS & FINANCE

Until exports increase, Pakistan need to close gap with remittances: PM



Pakistan's human capital conundrum

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