

# Understanding the Dynamics of Human Capital Development in Pakistan: A Socio Economic Obstacle Frame work

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## Abstract.

Recent growth literature greatly emphasizes the role of human capital in socio economic development of a country. Numerous studies have been conducted to know the factors which play their role in developing and accumulating Human Capital Stock in a country. However there has been a dearth of studies for exploring the obstacles in developing the human capital. Human capital development has become a notable issue in the Pakistan. This study investigates the Socio Economic Obstacles which are hindering Human Capital growth in Pakistan. As a lower middle income country with huge population and talented labour force is lacking a quality pool of Human capital in a modern economic scenario. This paper aims to explore the situation to underpin the socio economic obstacles in converting a competitive workforce in modern era. The study is of exploratory nature and requires substantive empirical augmentation to validate for rigorous justification.

**Key words:** Human Capital, Economic Growth, Socio Economic Obstacles, Pakistan

## 1. Introduction.

Pakistan is a developing country characteristically a semi-industrialized with a well-integrated agriculture sector dependent economy and world's sixth most populous country in the world. Bestowed with Abundant natural resources i.e. sizeable water resources & mineral reserves combined with talented pool of almost of 60 million labour forces, faces challenge of Poor quality of human resource due to low school enrollments and dearth of skilled resources due to lack of vocational training. As a resilient emerging economy Pakistan cannot afford such scenario and requires a re-orientation of policy of human capital led growth strategy in knowledge based economic era. With the economic, social and demographic transition taking place in Pakistan a well skilled Human Capital is imperative for present and future destiny of cherished goal of socio economic development of the country. Thus, Human Capital Development has become a notable issue in the Pakistan.

Over the past 65 years, Pakistan's comparatively low investment in Human Capital has resulted into failure to translate economic growth into a satisfactory level of Human development. Human resources remained underdeveloped in terms of skills, better health and education attainment, while ill health, illiteracy, poverty, inequality and social exclusion enlarged (Easterly, 2001 and World Bank, 2002). Underdeveloped as well as underinvested social sector especially Education and Health is playing a vital role in vicious cycle of deprivation (Abu-Ghaida and Klasen, 2004). Today Pakistan stands at the lowest Human Development which is evident from the United Nations Human development report of 2014. Pakistan ranked at 146th –among the 187 countries.

Assessment of this poor state of affairs reveals that Social Sector Spending in Pakistan has been very low. Over the years the average Public Educational Spending has remained around 2 % and on Health only 1 % of GDP. Besides insufficient allocation of budget and also by the abundance of other negative aspects ranging from inadequate physical infrastructure, shortage of school facilities and qualified staff, lack of vocational training institutes, poor implementation, lack of consistency in policies, over emphasis on non development spending and bunch of other related factors have resulted in over all dismal achievements in Human Capital Development. In the following sections we discuss such obstacles in detail.

The remainder paper is structured as following. Section two explores literature highlighting the importance and imperativeness of human capital in developing countries. Section three describes the historical perspective of human development in Pakistan. Section four consists of exploring the associated obstacles in human capital development of Pakistan. The final section concludes the discussion ad recommendations are furnished.

## 2. Human Capital and Economic Growth nexus –Theoretical and Empirical evidences.

Why are some countries rich and others poor? This has been one of the grand questions in economic and historical thinking over the last five decades. Economists have been debating since Adam Smith's "Wealth of Nations" published in 1776 to the present era economies. However no concrete conclusion has reached to the consensus to find out which dimensions of the economic factors matter most. Classical view of economic growth assumes that Natural resources also known as Physical Capital is vital determinant of Economic Growth. Nonetheless diminishing return and reserves of Natural Resources have given more emphasis to concept of Human Capital. Emergence of "Endogenous Growth theories" put Human Capital (HC) is an important factor of Development of the any country.

Broadly, the Theory of Human Capital focuses on the development of capabilities and skills of Human Being as a major part of Economic Development. People are considered as assets and investment in it leads externalities benefits. The term “Human Capital” can be understood as the skills, ability, knowledge and experience of the people to perform their jobs. So, the development of Human Capital is improving the skills and competence of the people by investing into them like providing Training, Education and by investing into better Health of people. All kinds of activities which intend to the improvement of the Quality, Skill and Competence of the Employees are the process of Human Capital Development. Investments in Human Capital means “Resource inputs in Education, Health care, professional qualification and other activities which let people to be more economically efficient”. Well-considered investments in Human Capital can generate Income, Develop skills and enhance quality of life.

Two basic ways to development Human Capital are Formal Education and Health Spending. Human Capital Theory rests on the assumption that Formal Education is highly instrumental and even necessary to improve the production capacity of a Population. In short, the Human Capital theorists argue that an educated population is a productive population. The development of Human Capital has been recognized by economists to be a key prerequisite for a country’s Socio Economic Development.

After the emergence of Human Capital Theory plenty of Empirical studies have been conducted which have investigated the contribution of Human Capital to Economic Growth. Prominent Researchers such as Schultz (1961) recognized the Human Capital as one of important factors for a National Economic Growth in the modern economy. Lucas (1988), Romar (1990), Barro and Lee (1993) using Endogenous Growth Models discovered that investment in Human Capital led to Growth in Physical Capital which in turn led to Economic Growth. Other researchers expansively attempted to clarify how the Human Capital could contribute to socio-political development and freedom (Alexander, 1996; Grubb & Lazerson, 2004; Sen, 1999). Sakamota and Powers (1995), Psacharopoulos and Woodhall (1997) reveals that Human Capital Development through Formal Education is highly instrumental and even necessary to improve the production capacity of a population. Schultz (1971) and Becker (1962) both have developed and analyzed growth models augmented with Human Capital and find significant positive association between Economic Growth and Human Capital formation. Rosenzweig (1990) points out that major determinant of high growth of developed countries and poor growth of under developed countries is difference in the Human Capital growth. Khan (2005) analyzed the relationship between Human Capital and Economic Growth in 72 Developing Countries for the period 1980-2002. The study concludes that countries which invested significantly in Human Capital have achieved higher returns in terms of Economic Growth. World Bank’s study “East Asian Miracle” in 1993 also highlights that growth in Human Capital has caused rapid development of East Asian countries. Taniguchi and Wang (2003), investigated that Education and Health have bilateral causality (both cause each other) and thus contribute in Economic Growth. Besides this, several other numerous studies have investigated the relationship between the levels of Education and Economic Growth (Bratti et al, 2004), Education and inequality (Rehme 2007), Technical Education and Economic Growth (Mustafa, Abbas and Saeed, 2005).

With reference to Pakistan, most of the studies conclude that Education brings significant positive returns in wage earnings. Abbas and Qaiser (2000) in a comparative analysis of Pakistan and India find overall significant and positive impact of Human Capital (School Enrollment rates as a proxy) on Economic Growth during 1970-1994. Qadri and Waheed (2011) investigate the impact of Human Capital on Pakistan’s Economic Growth during 1978-2007; find it a highly significant determinant of Economic Growth. Khatak and Khan (2012) investigated the impact of Human Capital in Economic Growth of Pakistan for the period 1971-2008. Their results support significant positive association between Secondary Education and Economic Growth. Several other studies found a positive relationship between Investment in Education and Economic Growth. Nabila Asghar, Asma Awan (2012), investigated the role of Human Capital in terms of Education and Health on Economic Growth of Pakistan during 1974-2009; indicate strong positive impact of Human Capital on Economic Growth despite the fact that Pakistan has been spending less percentage of GDP on Education and Health facilities to create Human Capital. Asghar Reza, Suman Valeecha (2012) examined the impact of Education on Economic Growth of Pakistan based on an Econometric Model for the period of 1981-2010, concluded that long run relationship exists with combination of several factors, including Education contribute towards Economic Growth.

### **3. Human Capital Development in Pakistan –A Historical Perspective:**

At the time of independence in 1947, Pakistan had 30 million people with Per Capita Income of 100\$. Agriculture accounted for almost 50% of Economic Output, with no industrial inheritance the majority of Labour force was engaged in Agriculture Sector. From thereon, Pakistan has come a long way. Today with 190 million people and Per Capita Income in 2015 is around 1450\$ which was fourteen times more. So if we look past and present the justification for Pakistan in terms of betterment of Economic conditions is very strong. But the country has failed to capitalize its huge potential and have not lived up to its potential. One of the most glaring

weaknesses is that a country like Pakistan that should have had best indicators in Literacy, Infant Mortality, Fertility rates, in access to Water supply, in Primary Enrolment ratios has social indicators which are more comparable to Africa rather than to the countries of similar per capita income.

**Pakistan**

**Table -1 : The key Human Capital Indicators ( out of 122 countries)**

| Indicator  | Rank      | Indicator  | Rank |
|--|-----------|--|------|
| Human Capital Index                                  | 112       | Quality of management schools  | 63   |
| Education  | 111       | Attainment Primary education attainment (% population age 25+)             | 64   |
| Health and wellness                                  | 115       | Secondary education attainment (% population age 25+)                      | 73   |
| Workforce and employment                             | 104       | Tertiary education attainment (% population age 25+)                       | 74   |
| Key Indicators Total population (1,000s)             | 173,149.3 | Talent Country capacity to attract talent                                  | 88   |
| GDP per capita PPP (constant 2005, international \$) | 2,491     | Country capacity to retain talent  | 88   |
| GDP growth (annual %)                                | 4.2       | Ease of finding skilled employees  | 67   |
| Access Primary enrolment rate (%)                    | 111       | Pay related to productivity  | 75   |
| Secondary enrolment rate (%)                         | 92        | Capacity for innovation <sup>1</sup>                                       | 45   |
| Tertiary enrolment ratio (%)                         | 226       | Firm level technology absorption <sup>1</sup>                              | 71   |
| Quality of the education system                      | 71        | Scientific and technical journal articles (per 1,000 people)               | 86   |
| Quality of primary schools                           | 97        | Technical/vocational enrolment as % of total enrolment in secondary school | 4%   |
| Quality of math & science education                  | 87        |  |      |

**Source: UNDP 2013**

The above Table-1 tells the rest story as from access of Education, Quality of Education, Education attainment; Technical Education, Health and wellness indicators are seriously dismal. Over the last six decades, Pakistan—although comparatively robust Economic Growth and has benefited in total from \$98 billion of ODA with an average real GDP per-capita growth rate of 3.0%—is still struggling to raise its Literacy Rate, which in 2015 was only 60%, ranks as 111th out of 122 countries in terms of Education Indexes. The Health status of general masses is also deplorable because the Infant Mortality Rate is still very high estimated at 73 per 1000 live births. Pakistan’s targets for Millennium Development Goals in terms of an Infant Mortality Rate of 40 per 1000 live births and 88% literacy rate by 2015 is therefore well short of target.

**Table-2: Human Capital Indicators of Pakistan (1960-2012)**

| Indicator                                      | Year |      |      |      |      |      |       |      |      |      |      |
|--|------|------|------|------|------|------|-------|------|------|------|------|
|  | 1960 | 1965 | 1970 | 1975 | 1980 | 1985 | 1990  | 1995 | 2000 | 2005 | 2012 |
| Primary Schooling enrollment % of age group    | 20.0 | 27.4 | 30.3 | 38.2 | 32.1 | 35.8 | 475.3 | 57.3 | 60.5 | 68.1 | 72.0 |
| Secondary schooling enrollment % of age group) | 3.4  | 4.6  | 5.7  | 7.0  | 6.4  | 7.3  | 9.6   | 12.2 | 11.6 | 12.0 |      |
| Literacy rate                                  | 16.7 | 16.8 | 20.9 | 24.3 | 26.1 | 28.8 | 33.8  | 39.6 | 47.1 | 52.5 | 60.0 |
| Public spending on education(% of GDP)         | 0.9  | 1.8  | 2.5  | 2.2  | 2.0  | 2.7  | 2.7   | 2.2  | 2.0  | 2.5  | 2.4  |
| Public spending on health( %of GDP)            | 0.4  | 0.6  | 0.5  | 0.6  | 0.6  | 0.8  | 1.0   | 0.7  | 0.7  | 0.6  | 0.9  |
| Life Expectancy (in years)                     | 43.9 | 46.7 | 49.4 | 52.3 | 55.1 | 57.4 | 59.1  | 60.9 | 63.0 | 66.0 | 66.0 |

**Sources: State Bank of Pakistan (2012), UNESCO, (World Bank (various issues)).**

Table -2 depicts that although Primary, Secondary School Enrollment and Literacy rate has increased gradually but it is far from targets of Millennium Development Goals (MDG)<sup>1</sup>. Within South Asia regional comparison Pakistan spends lowest % of GDP (only 2 %) on Education and Literacy rate is slightly better from Bangladesh.

<sup>1</sup> The Millennium Development Goals (MDGs) are eight international development goals that were established, following the adoption of the United Nations Millennium Declaration in 2000. The signatory countries are committed to achieve the following Millennium Development Goals by 2015: (1) To eradicate extreme poverty and hunger (2) To achieve universal primary education (3) To promote gender equality (4) To reduce child mortality (5) To improve maternal health (6) To combat HIV/AIDS, malaria, and other diseases (7) To ensure environmental sustainability (8) To develop a global partnership for development.

Now the question arises why Pakistan has dismal position in terms Human Capital?. Why the other regional countries with same Per Capita income have better performance in social indices? There exists no clear cut answer as Socio Economic and Political Environment in Pakistan is so complex that we can only cumulatively held responsible multiple factors. Some researchers have stressed that only Low Public Spending is major cause of low Human Capital Development in Pakistan, however as earlier mentioned due to intrigued nature of Human Capital Development process the only State cannot ensure single handily rather collective Private and Social efforts are imperative in developing Human Capital. The persistent poor performance of the Social Sectors emphasizes the need for drastic actions but in achieving results is hampered and significantly influenced by Political, Social, and Cultural constraints. In the following section we discuss such Socio Economic Obstacles of Human Capital Development in Pakistan.

#### 4. Socio economic obstacles of Human capital Development

In this section we present the discussion of Socio Economic Obstacles which directly and indirectly hampering the smooth development of Human Capital in Pakistan.

##### 4.1: Financial resource constraints

Pakistan faces chronic fiscal deficit with high burden of Debt Servicing, High Military Expenditure, Natural disasters, squeezing FDI due to Security concerns, Political instability and wide spread Corruption and dwindling Economic Growth place Pakistan as low income country. Prevailing Poverty has been also one of the biggest problems that Pakistan faces today. According to the UNDP, 60.3% of Pakistan's Population lives on under \$2 a day and 21% of population lives below Poverty line. Wealth distribution in Pakistan is highly uneven, with the top 10% of the Population earning 27.6% and the bottom 10% earning only 4.1% of the income. According to analysis, poverty has increased roughly from 30% to 40% during the past decade. It means that 40 per cent of the country's Population is merely earning their livelihood below the poverty line. In such condition people are deprived of their basic necessities of life. Proper Education and Medication are becoming distant from them. They are forced to think of their survival only.

##### 4.2: Low Government Spending on Education

Varying outcomes in terms of Human Development are down to different Political policy choices and Public Spending priorities. One reason for these unsatisfactory outcomes in the case of Pakistan compared with countries with similar GDP per capita could be that the Government in Pakistan is resource constrained, particularly in light of the nation's substantial Military burden (S. Mansoob Murshed & Muhammad Saleh (2013). Others researchers assert that although the country has witnessed healthy periods of Economic Growth, the agenda of Educating the masses, especially the poor at the Primary level, along with the provision of Basic Health facilities has never been a high priority in Pakistan. Feudalistic minded Rulers do not see these as being in their political interests.

Public expenditure on Education remained less than 2 % of GNP before 1984-85. In recent years it has increased to 2.2 percent. In addition, the allocation of Government funds is skewed towards Higher Education so that the benefits of public subsidy on Education are largely reaped by the Upper Income Class (Ghulam Rasool, 2007). Despite spending millions on Education; Government has failed to achieve Literacy rates comparable to other countries in South Asia. Private sector is doing commendable job for the promotion of Educational culture in Pakistan, but its main objective is money-making. Schools and Colleges are opened as a Business prospect and thus many of them lack quality.

**Table -3: Comparison of Pakistan in Public Spending on education in South Asia.**

| Country    | Public sector spending As % of GDP | Literacy Rates In (%) |
|------------|------------------------------------|-----------------------|
| Bangladesh | 2.4                                | 59.8                  |
| Bhutan     | 4.8                                | 52.0                  |
| India      | 3.1                                | 73.8                  |
| Iran       | 4.7                                | 85.0                  |
| Maldives   | 11.2                               | 99.0                  |
| Nepal      | 4.7                                | 66.0                  |
| Pakistan   | 2.0                                | 60.0                  |
| Srilanka   | 2.6                                | 91.2                  |

**Source: CIA World Fact Book, Figures for Latest available Years.**

It is evident from above Statistics that Pakistan stands at the lowest in the ladder of allocation for Education with only 2 % of the GDP. Insufficient Financial allocation has rendered the Education system incapable to cater to the needs of the Nation. The Education is not productive and poorly adhered to needs of modern world

requirements. Although policies are formulated and framed from time to time without having any positive impact on the lives of the people due to successive failures in implementation. This poor implementation has created a credibility gap for Donor agencies from which Pakistan has been benefited in the past of investing in Social sector especially in Education and Health. Given this poor financing and serious implementation drawbacks today, 40 % of population of Pakistan is uneducated. The vicious circle of poverty in turn hampers new generation Human Development as less Resource are left for Education and Health or due to illiteracy of parents private spending on Education remains low.

#### **4.3: Unemployment**

According to UN reports, presently two-thirds of populations of Pakistanis are under the age of 30 years, this means higher Youth Ratios and it is further estimated that number of Young people in the age bracket of 15 to 24 years would swell by 20 percent by 2020, and under 24 years population would be in majority by 2030. Generally Youth Population is a Strategic asset that can be capitalized for Economic Growth, nonetheless the surging Unemployment rates in Pakistan bounce backs and this Unemployment is regarded as a major Social problem. Currently rate of unemployment as per official resources is 7.4% (Economic Survey 2013-14). But according to some private estimates of Unemployment are 12 %. Higher rates of Unemployment mean major portion of Workforce is unused and the cost of Education and Training incurred on them is lost. This phenomena may affect other Socio Economic process and if corrective measures not taken so called Strategic Assets of Youths may turn to Economic burden. The Social costs of unemployment usually results in terms unrest in Society, increased Crimes, less inclination by parents to Educate their children if the Education cannot get them suitable Employment. The reasons of high unemployment is also indicator defective education system. The impacts of unemployment can be serious and dangerous on overall Human Capital Development if the Youths and Work force does not become Economically active.

#### **4.4: Governance and Administrative issues.**

Nexus between good Governance and economic and Social Development has been well established in the Economic and Social Science literature. The work of Barro and Sala-i-Martin (1995), Barro (1998); Drazen (2000) and Helpman (2004) in cross-national empirical studies have found and suggested positive relationship between the quality of institutions and Governance structures and Economic Growth. (Kaufmann et al.2000) defines as "the traditions and Institutions that determine how authority is exercised in a country" there has been broad consensus among Growth Economists, Development experts and International policy-makers that Good Governance is a pre-requisite to sustained increases in living standards (Kaufmann et al. 2000; Knack 2003). Issue of lack of good Governance is wide spread in underdeveloped and developing countries. In the same context Pakistan faces challenges of Poor Governance, poor Rule of the law, Transparency, Sub standard performance by the Central and Local authorities, Corruption, lack of cohesive policies and poor implantation of policies. The lack of clear vision, feeble Governance institutions, lack of Accountability are the dimension of poor governance which have compounded the Socio Economic causes of rising Poverty, decline in GDP growth rate, escalating indebtedness, higher Inflation, Diminishing Public Investment and poor state of Physical infrastructure and low levels of Human Development. Many authors have argued that due to political and beaurocratic mindset developing Human Capital especially providing mass level Education has not been priority in Pakistan. This mindset is somewhat reflective from the low public budgeting for education and health which has remained averagely only 2 % of GDP throughout country's history. Corruption in Social sector funding, Nepotism in recruitment of Teachers on Political and Ethnic basis in Education, Health have resulted poor quality of Educational standards. Successive Governments have never been serious in promoting legacies of previous Governments and good developments Programs are often roll backed on political grounds leaving half completed development projects as Economic burden on National exchequer. Hence it could be concluded that issue of Governance has greatly hampered Socio Economic Growth especially in Education and Human Capital Development in Pakistan.

#### **4.5: Access and Quality of Education**

The cost of Schooling of Children in Developing Countries, especially in Pakistan is high, often in low-income families trade off is considered with their Economic contribution such as Household tasks, paid Employment. In rural areas there is a shortage of both Educational and Employment opportunities. Given the Most of the Population are dependent on Agriculture so resource constraints and the unavailability of adequate Education facilities increase the opportunity cost of the Education. According to (UNESCO, 2011) one third of the total School going age children (5-9) are not going to school and existing Public Schools cannot accommodate them. The most of the Rural and remote areas Schools have poor Physical as well as Educational situations. A large number of Schools lack clean Drinking water, washrooms, appropriate Buildings, Electricity and an appropriate number of Teaching staff. The academic environment in the schools is unfriendly. Political recommended and

nepotism in Recruitment of teachers for the elementary schools is common practice. Due to lack of meritorious and well Trained Teachers student enrollment is low. Added to situation is failure in examinations, parents' perception of quality of Education of Public Schools, Teachers' absenteeism, and distasteful physical and academic environments are the most common causes of low literacy rates in rural areas. Physical punishment is common, which makes the school highly an unpleasant place and results in student absenteeism, low academic performance and drop out of the schools. Recently there has been provision of private schools but the costly Education structure refrain parents to sending their children to schools.

In terms of access and quality rural areas as well as to some extent urban areas poses serious low school enrollment, greater drop out ratios leaving majority of population deprived of Education and lower levels of Human Capital Development. Moreover concerning to higher Education lack of access to for the majority of its youth in Pakistan is a shameful. Out of a population of 190 million, only 5 % of them have access to University level Education. Out dated curriculum, results oriented standards of pedagogical techniques, brain drain of qualified Human Resource and lack of adaptability to changing paradigms of academic research only add to increasing pool of degree holding persons. It is worth mentioning that, by the end of year 2022 Pakistan needs 36 million new jobs if the Economy grows up to six percent annually. This challenge only is tackled if higher education institutions provide high qualified graduates who are well equipped with latest modern world skills to meet the needs of local as well International industry needs.

#### **4.6: Policy and priorities.**

Government policies are instrumental and play decisive role in Socio Economic outcome of a country. Well considered and cohesive policies with better implementation can produce desired results. A cursory look on policies regarding Human Capital Development of Pakistan reveal that although policies have been initiated from successive times but it lack clear vision, rigor, consistency, and proper implementation. Pakistan has continued legacies of serious challenges in developing sustainable Institutions for Education and Health, with the country's Social Sector traditionally underperforming even during periods of strong macroeconomic growth. This fundamental weakness has been policy frontier, in part due to development priorities being overshadowed by both the government instability and the international crisis.

The universally accepted imperativeness of Education in Human Capital formation and its role in raising the efficiency and productivity of the labor force has been ignored for quite long term. Prioritization of Education in the development policy of a Country is not always taken into account mostly because of the short and medium term time span in which politicians are thinking, whereas returns to investment in Education will happen in the long term. Foremost blunder has been extremely low levels of public investment in the Education sector. Public expenditures on education remained less than 2 % of GDP until 2005, when it started to increase. In 2008, although Public Expenditures accounted for almost 3 % of GDP, it is still less than what most other countries in the South Asia. Special efforts by the Government to promote Education started mainly in the 1980s but were very unsuccessful due to political instability. At the beginning of the 1990s, Pakistan achieved a reasonable level of Economic growth, but failed to raise Human Development. For this reason the Government launched the Social Action Program (SAP) in 1992, with the support mainly of the World Bank and other International donors. The program aimed at increasing the quality and quantity of social services such as the education sector, wherein the objectives were to increase Enrolment and School quality as well as eliminate gender and regional disparities. The SAP yielded unsatisfactory education outcomes, with almost no increase in primary enrolment rates, and little reduction of the gender and regional gap. In 1990s, Pakistan lagged behind seriously across the indicators of enrolment and budget allocation, e.g. the primary school enrolment rate in Pakistan was 62 % compared to the 76 % average for low income countries (UNDP 2003). In 2010, Pakistan scores less than the South Asia regional averages in terms of Indicators related to the generation of Human capacity, such as access (enrolment of both girls and boys at Primary and Secondary levels), Investment, performance (measured by literacy and primary completion rates), and Quality of Education, dependent for instance upon grade repetition and pupil to teacher ratio. In 2000 after signing the MDGs greater attention has been given to education and related indicators. aims to achieve 100 % primary school enrolment, 100 completion of education from grades 1-5 and an 88 percent overall literacy rate by 2015. However only 57 % enrollment and 60% literacy rates have been achieved so far. Although there has been visible trend in improvement in government polices and efforts for Human Development especially in Education but satisfactory results are far from desired outcomes.

#### **4.7: Political instability, transition and broken legacies of development policies.**

Political instability has regarded a stern and threatening problem for developing and underdeveloped countries. Political stability plays a significant role in keeping society integrated and is a prerequisite for the Economic Development, Social integration, and supremacy of law in a State. The stability of political system has direct effects on the processes of Nation and state building (A.P. Memon et al). Pakistan has faced 34 out of its 68 years

(half its life), in internal political instability defined as regime instability, political emergencies and constitutional deadlocks. Every Government has its own sets of policies and priorities hence in absence of stability and frequent change of governments put greater impact on legacies and consistency in carrying out developing projects especially in health, Education and Social Sector Development. During transitory period in Pakistan resulted in decline in Domestic and Foreign investment upset the Ethnic balance slower down in Economic cycle, High Inflation and other related shocks.

#### **4.8: Corruption**

Corruption is a worldwide curse around the world and prevails in all the countries especially in Developing or Poorer countries. The degree of corruption is reported to be higher where poor law and enforcement and Socio Economic framework is fragile. World Bank (2001) has revealed that Corruption around the World is supposed to be endemic and pervasive and a significant contributor to slow Economic growth, to suppress investment, to restrain the provision of public services and to increase inequality. Anupam Das et al (2011), have concluded from various studies that Corruption can lead to the destruction of democracy, the violation of Human rights, the disintegrate of markets, lower quality of life, and increased threats to Social welfare. Pakistan has historically faced menace of wide spread Corruption in every sphere of life. The ongoing poor Economic performance, dismal Human Capital, and other Socio Economic turmoil may partly be attributed to Corruption. Public Sector Expenditures are officially misused, thereby, kickbacks and pilferage of revenue is in connivance with the public officials and hence the fruits of spending to public transferred remain low. Donor agencies are reluctant to invest and extend funds due to corruption and hence education, health related findings is seriously harmed by this phenomena, hence corruption is an obstacle in Human Development of Pakistan.

#### **4.9: Family Structure, High Dependency Ratio and Gender Discrimination.**

There has been increasing consensus that Family structure, Social and Cultural values and tendencies impact the way children participate in Education, beliefs about Education, Economic participation and Social mobilization. Traditionally, Pakistani people have close extended families prefer to live closer to their family, joining the family business and staying connected to their Hometown. They ideally are encouraged to get married at a very young age, and to become a “family man” rather than seek education, fortune, and recognition. These family values had dominant in the past and restricted to opt for opportunity for higher education and no access to a booming job market. Even today, as more than 60 % of the total Population of Pakistan live in rural areas and adhere to such Family and Cultural values. In these rural communities under such situation Young people, can either choose to learn their father’s occupation and work in the family business. Still, a small but growing fraction of young rural Pakistanis choose to relocate to the cities for Education and Employment.

With large extended families, females are discouraged to work outside the home leads to higher dependency ratio. Family structural norms are not supportive for Female Education. Due to gender disparity regarding their Education women does not have financial autonomy. Dependency on only family leader or single bread winner leads to higher dependency ratios and consequently lesser resources available for better education and health. In this context, low level of resource investment in girls' education not only by their families but also by the state has become the basis for Gender discrimination disparities in most spheres of life in Pakistan.

Despite the continuing challenges there has been a positive outlook in recent years. According (ILO 2013) Report Access to education and attainment for girls has improved, though it remains low. The Labour Force Survey 2010-11 reveals that the literacy rate for women reached just 46.3 %, up from 45.2 % in the previous year. The fertility rate remained high, at 3.3 children per women, which reduces the options for women to participate in work.

#### **4.10: Social conflict and Ethnic unrest**

Since its independence in 1947 the Country has been repeatedly challenged by various groups on the basis of Nationalism, Regional separatism, Religious doctrine and Political ideology. This instability caused by such Ethnic unrest has been mirrored in Domestic Politics, Social life, Economic instability. Much of the current armed conflict stems from groups based in the northern provinces of Khyber Pakhtunkwa and the Federally-Administered Tribal Areas, Resource-rich Baluchistan, located near Pakistan’s South-western border with Iran. Karachi, the Economic and Commercial Hub and biggest city of Pakistan also have been centre of Ethnic unrest which has seriously destabilized the Socio Economic activities of the Country. The prolonged violent Secessionism and Communal violence linked to various reasons have resulted in Socio, Political and Ethnic turmoil and has been serious obstacle in Socio Economic Development in Pakistan.

#### **4.11: War on terror**

After 9/11 incident Pakistan is facing the menace of Terrorism, which has seriously jolted and eroded the Social structure, Economic developments and Political system of the Country. Terrorism has both direct and indirect

cost for economy. The immediate and direct costs are acts are loss of Human lives, destruction of property and infrastructure and short term Economic depression. In addition, an indirect cost of terrorism include creating uncertainty, lowers confidence and increases risk perceptions that lead to decline of local and FDI investment and shrinks Economic Growth. According to leading Newspaper, Pakistan has sustained cost of Terrorism estimated above \$102.5 billion in 13-years (approximately two times more than the Government's proposed total budget of Rs3.9 trillion for fiscal year 2014-15). In view of the situation recent surge of attacks on Schools has also threatened the peaceful learning process, damaging infrastructure, and have left long-lasting psychological effects, including fear and post-traumatic stress. These incidents have seriously halt on Education as well as Social Growth of the children going to school and hampering Human Development. The effect of war on terror has resulted on fall in FDI hence foreign resources for Education, Health and Social development have been declined greatly affected the overall Human Capital Development.

#### **4.11: Environmental hazards and disasters.**

Pakistan is posed to Environmental and Natural vulnerability. The recurring large-scale floods, earthquakes, droughts, are all environmental shocks which have affected Human life, livelihoods as well as national infrastructure. The country witnessed mega floods in the year 2010 and 2011 heavy monsoon rains which affected more than 18 million, people and caused an anticipated \$10 billion economic loss. 2011 heavy monsoon rains affected some 9.7 million people in two provinces (UNDP, 2013). Natural disasters have excessively affected the excluded and the vulnerable specially the poor, women, children, and the elderly, crisis-affected populations, persons with disabilities, refugees and temporarily relocated persons. Recurrence of such natural disasters has direct impact on education, health and other socio economic aspects most often affected area Schools and Educational institutes remain close and used as relief camps disturbing Educational process. Health and psychological conditions deteriorate as wide spread epidemic disease. Such situations become obstacles for short as well long term on development of Human capital.

#### **5: Conclusion**

There is no substitute to building up Human Capital for the Sustained Economic Development. Theoretical and Empirical evidences have emphasized that imperativeness of Human Capital becomes very fundamental to achieve Economic as well Social development. We have reviewed the dynamics of Human Capital in Pakistan and presented the scenario in terms of associated obstacles which have direct or indirect impact on the overall development of Human Capital. In face of overwhelming evidence of failure of state and institutions Pakistan's dismal rankings in HDI is no wonder. Despite increased attempts of corrective measures during the past decade, suffers from severe challenges in its Educational, Health Development. Surrounded by challenges mentioned in the paper, producing a vibrant Human Capital cannot be achieved only increasing the Government spending but greater attention be paid to tackling and eradicating Socio economic barriers on long term basis. Traditional mechanism of high non development spending (Debt servicing, defense spending, administrative expenses subsidies etc) compare to Very low spending on Education, Healthcare, infrastructure etc needs be altered. Furthermore drastic measures are needed to achieve Social cohesiveness, efficiency in Administration, promoting peace, improving Security, removing Gender disparities to improve quantity and quality of competitive Human Capital.

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