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*Ezra*

**The main determinants of unemployment in Afghanistan, and  
exploring the effects of insecurity and youth bulge in exacer-  
bating the unemployment scenario**

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## List of Acronyms

- ILO (International Labor Organization)
- IELFS (Income, Expenditure, and Labor Force Survey)
- Female labor force participation (FLFP)

NEET (Not in Employment, Education, and Training)

## **Abstract**

This study is carried out in an attempt to identify the primary reasons for unemployment in Afghanistan. In our quantitative data approach, we used the secondary dataset from the most recent nationally representative household survey, the IELFS 2020 survey. The influence of demographic characteristics such as age, gender, marital status, educational attainment and level of education, sector-wise employment, insecurity perception, and NEET were initially considered in the data. To determine the influence of insecurity and the youth bulge on Afghanistan's total labor market failure, we employed empirical formulae or logit regression models. According to the empirical findings, there is no statistically significant effect of insecurity perception or conflicts on Afghanistan's high unemployment rate. Moreover, the Afghan labor market crisis is exacerbated by a prominent youth bulge and an army of young people not in employment, education, or training (NEET). However, other control variables, such as gender, age, marital status, education, geography, and sector-specific employment, have a statistically significant impact on unemployment.

## **Relevance to Development Studies**

One of the most crucial and dismal lessons of the post-war development effort has been the realization that social growth and the growing levels of employment that it depends on do not follow immediately from economic progress. Growth in the gross national product increased industrial and agriculture output, and gains in exports, investments, and exchange reserves mean little to the hundreds of millions of people in emerging countries who continue to live on bare subsistence or near hunger. The relevance of employment as a prerequisite for inclusive growth and development has been intensively examined in policy literature since the mid-2000s. Until recently, it really was common to see unemployment in less developed countries as a symptom of underdevelopment that would fade as development progressed. If this were true, it would be sufficient to focus on supporting rapid economic growth and development, with employment allowed to take care of itself. However, experience has shown that this is not the case. Countries that are experiencing strong economic growth, on the other hand, are still seeing rising unemployment. And, given the current demographic situation in many emerging countries, it is almost guaranteed that the problem will worsen drastically in the coming years.

## **Keywords**

Unemployment, Afghanistan, Determinants, Insecurity and conflict, youth bulge, NEET, labor force

## Chapter 1: Introduction

Unemployment has recently emerged as one of the world's top macroeconomic issues for both developed and developing countries. The unemployment issue is widespread, and the degree of unemployment varies according to the level of development of a country. It is undeniable that unemployment has a wide range of consequences. An essential source of support for social and economic growth is the employment of a well-coordinated population. The International Labor Organization (ILO) defines “unemployment” as the number of economically active individuals who are unemployed but willing to look for work. This includes those who have lost their jobs and those who have willingly quit their jobs (World Bank, 1998). According to (CFI 2019), unemployment refers to people who are employable and looking for work but are unable to find work, as well as those in the workforce or pool of people who are eligible for work but do not have an effective job. The national definition of unemployment in Afghanistan is “All persons aged 14 and over who, during the reference period of one week, were: A. without any work or working less than eight hours, and B. seeking work” (IE&LF Survey, 2020). Such national definitions were created to help people understand the reality of Afghanistan's labor market, characterized by low-paying, low-productivity jobs and a lack of social safety nets like pensions and unemployment benefits. According to international guidelines, open unemployment is defined as being completely unemployed during the reference period, currently available for work, and seeking job is generally not an option for the poor in such informal sectors. Full unemployment is usually only a possibility for persons who are financially self-sufficient or have familial resources. As a result, in such countries, it is common to find that only a small percentage of the labor force is unemployed under this international definition. More often than not, individuals must – and do – accept any form of labor to live. As a result, the irony is that countries with this sort of economy frequently have relatively low unemployment by international standards, not indicative of excellent workforce performance, but instead of poor performance (ALCS,2017: 56).

The word unemployment can be construed in various senses. (Raikhlin, 1998) understands unemployment in its narrow sense as underuse of labor resources which consequently become an “army of reserve labor”. According to several studies, unemployment is an economic scenario in which some of the able-bodied workforces become obsolete, lose jobs, look for work, and are ready for upgrading. According to many viewpoints, unemployment must be viewed as a phenomenon characterized by the unemployment of a portion of the economically active population due to a mismatch between the demand for and supply of labor force in the labor market. As a result, the labor market in an economy refers to the aggregate supply and demand for labor, with employees delivering the supply and employers supplying the demand. It's a crucial part of the economy, and it's intricately correlated to other aspects like the capital, goods, and services markets. Unemployment is frequently used as a gauge of a country's economic health. The most often used unemployment indicator is the unemployment rate, which is determined by dividing the number of unemployed persons by the total number of people in the labor force. As unemployment is a multifaceted topic with economic, political, and social aspects. It's difficult to describe and measure since it's impacted by the local economy, social environment, culture, and educational system. It has a negative impact on people's psychological and social lives and the national Gross Domestic Product (GDP). Unemployment might make it simpler for terrorists and mafia organizations to recruit jobless youth and carry out their dangerous activities. Unemployment can create

insecurity, lead to social crimes, and deepen the divide between communities and the government. Consequently, only about 2 million people voted in the last presidential election in Afghanistan, even though the country's population is over 35 million.

Unemployment has been scientifically proven to have severe negative psychological impacts, resulting in depression, a lack of ambition, rage, and anxiety. Individuals with limited income and a broken psyche are more likely to participate in unlawful activities, contributing to society's aggregate crime rate. Furthermore, employers prefer to recruit persons who have previously worked, which is another disadvantage for the jobless. This phenomenon is referred to as the hysteresis effect. Unemployment also harms family dynamics, leading to divorce and the disintegration of families. According to scientific studies, unemployment increases people's propensity for suicide and various forms of self-immolation. Furthermore, unemployment can have disastrous consequences for Afghan refugees. Many refugees are unable to return home and reconnect with their families due to the same obstacles, while thousands of Afghans seek work in neighbouring countries such as Iran and Pakistan. More than 3 million Afghan refugees remain in neighbouring nations and beyond. As a result, insecurity is not the main reason Afghans chose the perilous path of seeking asylum over staying at home. After insecurity, unemployment is the second leading cause of Afghan migration. Not only do unskilled Afghan laborers move, but educated and skilled Afghans (brain-drain) also migrate overseas in quest of work and a better life, with no hope of returning home. (Akbari, 2019).

Unemployment leads to economic depreciation, poverty, a corrupt mindset, narcotics addiction, illegal migration, and a country's backwardness. It is the cause of rising social inequality, and the link between rising unemployment and rising deviance has been proven for a long time. Other adverse effects of unemployment include the deterioration of social ties and the relaxation of individual relationships with the social structure. Resilience, solidarity, and consensus lose prominence in such a community in the face of conflict and dispute. Increase in mental disorders, family conflicts, reduction in consent from shared life, the possibility of disagreement to manage life, the tension in marriage, increase in stress, low self-esteem, aggressive behaviour, the possibility of committing a crime, the possibility of tending to do illegal jobs, and feeling of humiliation have some of the detrimental impacts on the lives of Afghan people. Furthermore, the informal sector (which incorporates criminal activities) in Afghanistan accounts for 80 to 90 percent of overall economic activity and significantly influences the actual income of Afghan people. As a result, the labor market continues to be influenced by two sectors: 1) agriculture, which fails to provide adequate work and income; and 2) services, which has been the main driver of sturdy Afghan growth but would likely suffer the most from a significant decline in international financial assistance. The prevalence of underemployment, precarious working conditions, and working poverty are stronger predictors of the Afghan labor market's lousy state. A sizable proportion of the working population is employed in agriculture, which is associated with low productivity and subsistence-type output; the urban labor market, which is characterized by skills mismatch and job quality issues in both the informal and relatively small formal sectors. Whereas, the majority of jobs created by international development assistance are casual or temporary, and are not viable without continued aid inflows (Reliefweb.int 2019).

Unemployment contributes to a slew of economic and societal issues. Therefore, it is unavoidable to address this issue by understanding the factors that determine employment levels. Insecurity and the continuing of the country's war, and a lack of investment in infrastructures that can employ people have left Afghanistan in a state of unemployment and poverty. Besides, corruption, poor governance, and the inability of Afghan Ministries to spend their respective development funds have resulted in the unemployment of hundreds of Afghan youngsters, while tens of thousands of government administrative posts remain vacant or staffed by shadow workers. Likewise, with the pull-out of most foreign forces from

Afghanistan, the international community's support to Afghanistan has been reduced. Because billions of dollars in international aid were not adequately utilized to create sustainable jobs in Afghanistan when these supports were reduced. Thousands of Afghans who worked for foreign troops and organizations have also been counted as unemployed in the nation. Tens of thousands of families were forced to evacuate their homes throughout these years as the country's war and insecurity deteriorated. Internally Displaced Persons (IDPs) being relocated to cities leads to the country's rising unemployment because the majority of them have lost their homes and regular income sources.

Understanding the characteristics of the Afghan labor market and taking into consideration the drivers of unemployment, especially the impact of insecurity and youth bulge, is thus a critical step in developing an employment-generating strategy and stability. The creation of jobs should be at the forefront of Afghanistan's development strategy. Moreover, in terms of development and peace, Afghanistan's future is inextricably linked to the country's ability to sustain growth and ensure inclusion through more and better job opportunities. Therefore, the connection between employment and "political stability," a foundation of Afghan employment programs, has failed to provide long-term employment. Currently, the State's TVET (Technical and Vocational Education and Training) programmes and foreign and non-governmental organizations tend to focus solely on immediate and visible outputs (e.g., training participation) rather than the longer-term performance of the workers. To realize the country's economic potential and contribute to poverty reduction and social cohesion, a synergy of policy priorities tackling labor market issues and supporting job creation is critical. In reality, the government's job-creation programs are too frequently characterized by short-term projects that are: 1) carried out with insufficient participation from essential institutions for sustainability; and 2) too reliant on international donor's funding cycles.

The research paper is comprised of 8 chapters. The first chapter is the introduction, which briefly introduces the general unemployment scenario and its consequences in Afghanistan. The second chapter explains the country context, study objective, unemployment situation, and its status quo in length while touching upon the analysis and diagnostic of unemployment in Afghanistan. The third chapter explores the literature review and reflects on the studies conducted regarding the same research questions. The fourth chapter explains the research methodology and the descriptive analysis. The fifth chapter explains the analysis of econometric models developed in exploring the determinants of unemployment in Afghanistan. The sixth chapter examines the results from the data analysis. The seventh chapter is the discussion, where results are reviewed and interpreted, limitations of the study, and implications of the overall research conducted. The eighth and final chapter is the conclusion chapter.

## Chapter 2: Country Context, Unemployment Situation, Analysis, and Diagnostic

Afghanistan is strategically important due to its location at the crossroads of central, south, and west Asia. Unfortunately, for more than 40 years, the country has been a subject of conflict and instability, impeding the development of the Afghan economy and the betterment of community livelihoods. Afghanistan was ranked 171st out of 188 nations in the 2015 Human Development Report. The labor market bears the characteristics of a developing economy. More than 90 percent of a total of jobs can be categorized as vulnerable jobs. Whereas gender inequality and child labor are widespread. Terrorist violence is exacerbated by various irregular and illegal activities, including widespread corruption, commerce in unlawfully exploited resources, arms trafficking, and drugs trafficking. Overall, government and the rule of law are gravely eroded (ILO, 2016). According to the Afghanistan Living Conditions Survey (ACLS) 2016-17, the country's unemployment rate is 35%, extremely high for any country, let alone Afghanistan. As a result, families are compelled to participate in unpleasant forms of labor, such as bonded and child labor. Women are disproportionately affected and are more prone to take incomes below market rates, trapping themselves in a vicious cycle of dangerous employment and prolonged dependence (ILO, 2020).

Unemployment is a condition of an economy in which individuals are eager and able to work but are unable to find it. Unemployment has a negative influence on people's mental and social life, as well as the national Gross Domestic Product (GDP). Afghanistan's economy is influenced by fragility and reliance on foreign aid. As a significant character in economic growth, the private sector provides revenue, creates employment, and produces goods and services. However, the private sector in Afghanistan is highly concentrated, with most jobs cantered in low-productivity agriculture. The agricultural sector employs 44 percent of the overall workforce, while agriculture generates 60 percent of the household's income. In addition, insecurity, political instability, poor institutions, lack of access to capital-limited infrastructure (physical and human), pervasive corruption, and a harsh business environment stifle private sector growth and diversification (Cusack and Malmstrom, 2010).

As a result, Afghanistan was ranked 173rd out of 190 countries in the 2020 Doing Business Survey. Financial inclusion and access to finance are impeded by inadequate institutions and property rights, with private-sector credit contributing for only 3% of GDP. Inefficient competitiveness causes a structural trade imbalance of almost 30% of GDP, which is almost entirely supported by grant inflows. Whereas foreign aids and grants continue to support around 75% of government spending. Aid flows have fallen from about 100% of GDP in 2009 to 42.9 percent of GDP in 2020. In 2014, the number of international troops fell from over a million to fewer than ten thousand. Declining funds resulted in a sustained downturn of the services sector, with a corresponding decline in employment and income. Thus, today, Afghanistan confronts tremendous hurdles in maintaining recent development gains in employment generation due to rising political uncertainty, dwindling international grant funding, and persistent insecurity. Similarly, rational policies are restricted by government agencies' poor implementation capabilities, reflecting governance constraints and strictly constrained macroeconomic policy choices in the context of declining financial capacity and insufficient financial intermediary and institutions. (World Bank, 2021).

Educated unemployment is a sort of unemployment in which educated persons, although having a degree, are unable to find work. It has numerous social and psychological consequences. Insufficient job vacancies, inadequate economic plans, favoritism, and an inherently flawed education system contribute to educated unemployment. Afghanistan's education

system has many flaws and does not meet international standards. In Afghanistan, there is no unified educational system. Pashto/Dari medium graduates do not speak English fluently, which is now an essential requirement when looking for work. Accordingly, our higher education institutions are divided into two categories: private and public. Government institutions are readily available, but they have limited facilities and lower academic quality; as a result, graduates are unable to secure jobs that require appropriate skills. Although private sector institutions are well-equipped, they are costly, and most students cannot afford them. This inequitable educational system is to blame for some of Afghanistan's unemployment. Another source of unemployment in Afghanistan is a scarcity of technical education. There are fewer technical and vocational institutes, and they are not developed. As a result, students do not receive practical training, which results in eventual unemployment. Students lack specialized employment skills such as communication skills, analytical abilities, and knowledge in their respective subjects since our educational system does not teach these aptitudes and skills. Teachers at our institutions teach what they desire, not what industries require (Pajhwok News, 2020)

Unfortunately, instead of producing employment creators, Afghan universities produce job seekers. Following the Taliban's defeat in 2001, millions of Afghans raced to obtain education and training in the hopes of finding work and earning a living. Since then, the country has opened over 137 private universities and institutions, with nearly 38 state universities providing higher education services. Unfortunately, majority of the recent graduates lack the essential skills and qualifications to satisfy the technical and professional demands of local firms. Moreover, they lack the ingenuity to create new jobs by starting their own businesses rather than looking for work elsewhere. That is why, in some circumstances, foreigners are hired in both the commercial and public sectors, despite the fact and, the labor market adds roughly 400,000 new workers each year; hence, the economic structure is unable to accommodate such a massive number of people. The government must encourage enterprises to invest in agriculture and mining by supporting the private sector. Afghanistan is a landlocked country with vast unexplored mineral deposits. The government may boost the private sector by lowering different taxes and levies, as well as providing financing, security, and critical infrastructure services to national and international small and medium-sized businesses. Imagine international corporations are attracted to invest in Afghanistan with the promise of minimal risk and big payoff. In such situation, the government would have made a considerable contribution to the country's increased employment.

According to The Asia Foundation's Survey of the Afghan People in 2014, unemployment is Afghanistan's second most devastating concern after insecurity. Unemployment is one of the top three concerns affecting the country at national and community levels, and it has risen since last year's study. Furthermore, 50% of respondents say their household's financial status is the second-most important determinant of their overall sense of well-being. Though there is no reliable report on the country's unemployment rate, most reports and ground facts show that the country's unemployment rate is not less than 60%. Approximately 400,000 young Afghans enter the job market every year, far outnumbering the labor market's natural inclination to accumulate new employees. Labor market pressures are only projected to grow in Afghanistan, with a high fertility rate of 5.1 children per woman and a persistent "youth bulge.". Despite unprecedented opportunities in the last years, most Afghans still struggle to find work and make a living, while the unemployment rate rises and the nation remains one of the poorest in the world. With 70% of its population under the age of 25, what strategies does the government needs to adopt to address its unemployment problem?. Unemployment has a big influence on the growth in violence and economic uncertainty in Afghanistan. The majority of Afghans feel that unemployment is the root of the country's ongoing insurgency. A substantial number of young jobless Afghans have joined anti-government armed organizations. They do not join militants or rebels to support their beliefs,

which they frequently oppose, but to make ends meet and to sustain themselves and their families. It is undeniable that the killing of insurgents has not weakened insurgent forces; in fact, they appear to be growing stronger. One possible explanation is that the country's high unemployment rate encourages more of our young youths to join anti-government insurgent organizations. Youth who are unemployed are used as suicide bombers, combat troops, or workers to install Improvised Explosive Devices (IEDs). In some areas, unemployment has led to the cultivation of opium and poppy and the encouragement of others to join terrorist organizations. Therefore, Unemployment can lead to criminal behavior and is a motivator for antisocial behavior and improper conduct in order to retain one's self-interest and life. When a youngster wants to work but is unable to do so, he becomes weary and disillusioned. On the other hand, his material requirements must be addressed, and he has no alternative but to turn to crime. As a result, unemployment and social troubles increase the number of drug addicts; in Afghanistan, the number of drug users is estimated to be as high as 1.6 million, or around 5.3 percent of the population, one of the highest rates in the world (Ziar, 2014).

Understanding the peculiarities of the Afghan labor market is a critical step in developing a strategy for job creation. However, an evaluation of the Afghan labor market is challenging due to a lack of relevant data. At the moment, the only trustworthy and nationally representative source of information is provided by Income Expenditure and Labour Force (IE&LF) Survey. A young and rapidly rising workforce distinguishes the Afghan labor market. Decades of conflict and political instability, global migration, and relatively high fertility rates have culminated Afghanistan, Pakistan, and Nepal being among the youngest countries in South Asia. Afghanistan has an extremely young age structure due to the very high fertility: 48.5 percent are now under the age of 15 years (Table 1). On the other side, Afghanistan has an extremely low proportion of aged people. Currently, 65 or older are only 2.6 percent of the population. In Afghanistan, the dependency ratio is exceptionally high and is at 104.6. Afghanistan's high dependence ratio is a significant impediment to economic growth since valuable resources must be spent on education, health care, and social development for young people. The demographic pyramid in Afghanistan is characterized by a broad base that ensures a sustainable increase in the number of new entrants in the labor market in the next ten years, particularly in rural areas. The labor market is expected to absorb between 400,000 and 500,000 additional entries in five to 10 years.

**Table 1: Population, by major age group, sex, and by residence (in percentages) <sup>1</sup>**

Age group	Urban			Rural			Kuchi			Natal		
	Male	Female	Both sexes									
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0-14	44.0	42.1	43.1	51.2	48.9	50.1	55.7	52.3	54.1	49.7	47.4	48.5
15-24	21.4	23.0	22.2	16.9	18.9	17.9	15.4	17.2	16.2	17.9	19.8	18.9
25-39	17.2	18.8	18.0	16.5	17.7	17.1	15.0	17.0	15.9	16.6	17.9	17.3
40-64	13.9	14.1	14.0	12.4	12.5	12.4	11.3	11.9	11.6	12.7	12.8	12.8
65+	3.5	2.1	2.8	3.0	2.0	2.5	2.6	1.6	2.2	3.1	2.0	2.6

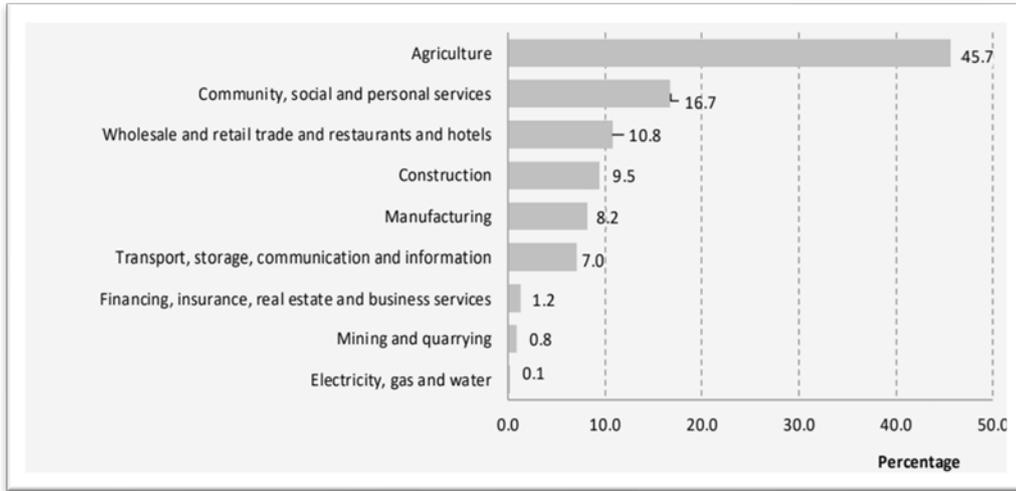
Source: [https://www.NSIA.gov.af/publications/IELFS 2020 Report](https://www.NSIA.gov.af/publications/IELFS%20Report)

The most recent survey conducted in 2020 called the IE&LF survey shows that Afghanistan's labor market is under significant pressure. The labor market is characterized by the agriculture sector's dominance, considerable underrepresentation of women, and a high incidence of low-paid and low-productive work. With an unemployment rate of 18.6%, 1.3 million people are out of work. Young people, particularly women, are more disadvantaged, with female and male youth unemployment<sup>2</sup> rates of 32.0 and 23.7 percent, respectively. NEET (not in employment, education, or training) measures youth at high risk of social and labor market marginalization. The NEET rate is 34.4 percent, with females accounting for 53.4 percent and males accounting for 14.0 percent, respectively. However, unemployment can only indicate a portion of Afghanistan's labor market issues. The quality of existing jobs is just as crucial, if not more so. 21.8 percent (roughly 1.2 million) of the employed are time-related underemployed, indicating that occupations are improperly classified as vulnerable employment (either own account employees or contributing family workers), characterized by job insecurity and bad working conditions. After analyzing the IELF '20 survey for the sectors that engage most of the labor force in Afghanistan. As the most important sector, we concluded that Agriculture employs 45.7 percent of the workforce, or 2.5 million people (as shown in figure 1). The remaining vital industries in this regard are community, social, and personal services, wholesale and retail commerce, restaurants and hotels, and construction, which employ 16.7, 10.8, and 9.5 percent of the employed, respectively. Manufacturing employment remains low at 8.2 percent of total employment, indicating its inability to absorb surplus labor from agriculture and other traditional sectors to achieve equitable and sustainable industrialization.

<sup>1</sup> **Kuchi:** In the Dari (Persian) language, Kuchi means "nomad." Kuchi are Pashtuns from Afghanistan's south and east regions. They are a social grouping rather than an ethnic group, yet they share certain attributes with a distinct ethnic group. Thousands of nomadic herders continue to follow in their ancestors' footsteps. Others became farmers, moved to cities, or immigrated. The Kuchi people is most likely concentrated in Registan, a desert in southern Afghanistan.

<sup>2</sup> The youth unemployment rate is determined as the number of unemployed people aged 15 to 24 as a proportion of the labor force in that age group.

**Figure 1: Employed persons, by main economic sector (in percentages)**



Unemployment, which is likely the most critical component of the labor force, is one of the measures used to assess the economy's underutilization of labor supply. It emphasizes, to some extent, the economy's incapacity to absorb its labor force and provide jobs for individuals who want to work but are unable to do so. They are, nevertheless, available and looking for a job. Another essential metric of labor underutilization in the working time dimension is time-related underemployment. We combine the two indicators, unemployment, and time-related underemployment, to create a new indicator called Labor Underutilization 2 (LU 2; Table 1.2).

**Table 1.2: Time-related underemployment, unemployment, and labor underutilization by the residence by sex (in thousands and percentages)**

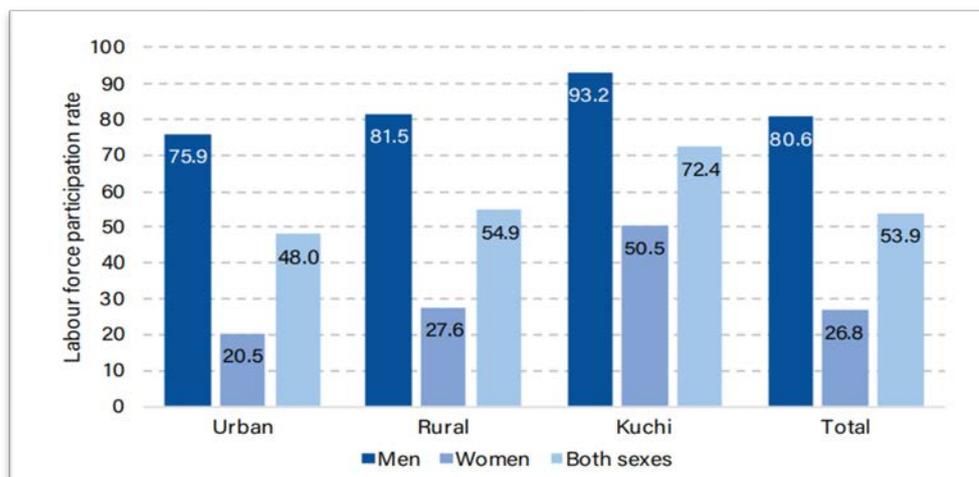
Residence, sex	In thousands			In percentages		
	Underemployed	Unemployment	LABOR underutilization 2	Underemployment as a percentage of the employed	Unemployment	LABOR underutilization 2
National	1,244.6	1,303.5	2,548.1	21.8	18.6	36.3
Male	982.7	853.8	1,836.5	20.6	15.2	32.7
Female	261.8	449.7	711.6	27.4	32.0	50.6
Urban	103.6	330.4	463.8	10.7	21.0	29.4
Male	103.6	226.6	330.2	9.3	16.9	24.6
Female	29.7	103.8	133.6	23.1	44.7	57.5
Rural	1,067.3	930.7	1,997.9	25.8	18.3	39.4
Male	850.2	604.5	1,454.7	25.1	15.1	36.4
Female	217.1	326.1	543.2	29.0	30.3	50.5
Kuchi	43.9	42.5	86.4	13.3	11.4	23.2
Male	28.9	22.7	51.6	11.5	8.3	18.9
Female	15.0	19.8	34.8	19.1	20.1	35.3

In light of the preceding argument, the topic of what causes rising unemployment and why Afghanistan suffers the most from this phenomenon is self-explanatory. Unfortunately, there is a lack of employment opportunities exists in Afghanistan. Even if they do exist, they are insufficient. Agriculture, for example, is the only source of income for a large portion of the people. Unstoppable waters of Afghanistan that flow away in vain, a lack of suitable agricultural lands, modern agricultural mechanisms, desirable markets for Afghan agricultural products, weak government support for agriculture and farming, and a lack of industrial and modern facilities for farmer cultivation and harvest have all weakened and deteriorated the situation. The second source of employment is the manufacturing sector and industries, which unfortunately encountered various problems in Afghanistan. Excessive imports of low-cost foreign goods at the expense of domestic goods have depressed the domestic goods market, which causes an industrial sector not to develop. As a consumer society, Afghanistan has been deprived of indigenous commodities production and rivalry with foreign goods due to widespread consumer culture. The international community's billion-dollar investment has transformed the country into a consumer economy. The government's and relevant bodies' responsibility is to encourage domestic productions and create a way for domestic goods to compete with foreign goods. To reduce the rate of unemployment, the causes of unemployment should be addressed. Services, on the other hand, as a third source of employment were unable to perform as anticipated. Because the growth of trade, education, industry, and sanitation is also dependent on the rise of services. Unfortunately, these kinds of services are uncommon in our nation. As the fourth source of employment, scientific research is regarded as a necessary component of societal progress; which is non-existent in Afghanistan.

Unfortunately, research has not been widely recognized due to a dearth of skilled, expert, professional, and technical personnel. Nowadays, as the country works toward modernization and rebuilding, it requires a large number of professionals, which it must inevitably attract from other countries, paving the way for unemployment and poverty in the country. Unusual population growth is cited as another source of unemployment, particularly the concentration of many people in a single place. In the case of Afghanistan, it is the capital city of Kabul. New jobs are produced for new workers in industrialized countries. However, due to a lack of social resources in our country, no new jobs are being generated, but employment options are dwindling daily. Moreover, a lack of economic infrastructure is also one of the reasons for unemployment in Afghanistan.

One of the causes of unemployment in Afghanistan is that it has one of the lowest female labor force participation (FLFP) rates globally, at roughly 26 percent. UN Women projected in 2015 that women own only 5% of Afghan enterprises. These depressing figures have significant ramifications for the country in terms of socioeconomic inclusion, poverty reduction, and overall growth and productivity, as female participation in economic activity boosts economic development and supports long-term progress. In Afghanistan, a low FLFP indicates that there are other underlying obstacles preventing women from working. Mobility issues, legalized gender discrimination, a lack of economic prospects, and lower family bargaining power are among them. Because women's movement outside the house is limited for cultural reasons, they often participate in home-based income-generating activities such as carpet weaving, sewing, tailoring, agricultural work, animal care, and the selling of dairy products. The total labor force participation rate in Afghanistan is hindered by low female labor market engagement, suggesting that women still represent a considerable untapped economic potential. Only around one in every four women of working age is economically active, according to the IELFS data in figure 2 below; the female labor force participation rate is 26.8%. This is in stark contrast to men, who had an 80.6 percent participation rate.

**Figure 2: Labour force participation rate, by residence, and by sex**



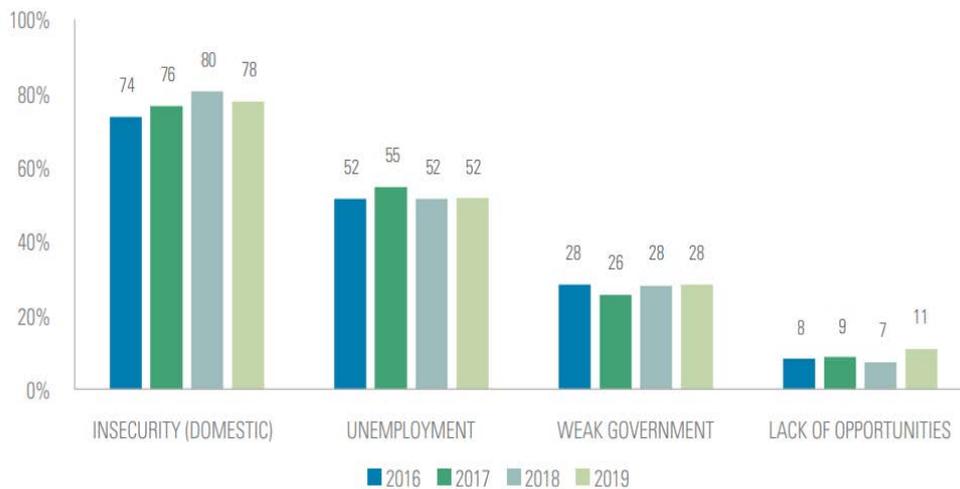
The country's economic infrastructure has been damaged by four decades of conflict, and the government has failed to pay serious attention in creating job opportunities for the people of Afghanistan. Due to the lack of entrepreneurial culture: entrepreneurship entails having a creative business venture willing to take chances and adapt to changing threats and challenges to society's job prospects. Individuals in an entrepreneur society do not seek employment in government or nongovernment institutions and organizations; instead, they research the market and launch and create jobs to meet market needs. Workers with an absence of professional skills are more likely to be unemployed for an extended period. Nepotism and professional skills are two more crucial issues that have been identified as major contributors to Afghanistan's high unemployment rate. According to the Survey of Afghan people 2019, 80% of respondents believe that they cannot get work due to a lack of qualifications and experience, nepotism, and the absence of referrals from influential individuals. Because Afghanistan is one of the countries most inclined to political disagreements, political leverage from high-ranking parties, which can lead to nepotism, plays an essential role in securing employment. Therefore, having no political connections also makes it harder to find work. The most serious disadvantage of nepotism is that it frequently results in the hiring of unqualified individuals while qualified applicants are overlooked. As a result, Afghans face two severe issues: the first is mental illness and psychological distress, and the second is a decrease in the number of qualified people at work, which leads to inefficiency in operations and a decline in economic activity (Khan and Sadat, 2020).

Moreover, one of the increasing rate of unemployment in Afghanistan would be the prevalence of endemic corruption, which ultimately result in expanding class differences and ethnic fragmentation. Even though the country's last two decades of massive foreign aid inflows have resulted in economic, social, and cultural progress, increased job opportunities and economic activity. On the other hand, the misappropriation of public property by leaders and administrative officials, the extortion of state lands by warlords and political figures, and the rise in costs have all resulted in unparalleled class divisions in Afghanistan society. Extortion of government lands and social amenities resulted in a complete monopoly of social opportunities and dynamic economic settings by those who hold the capital, patronage, and political power. As a result, high-paying work prospects are restricted, and affluent government officials, political leaders, and foreign organizations influence capital, labor markets, and employment. These factors have accelerated the trend of joblessness and increased poverty in society. The majority of unemployed people are depressed and suffer from mental health

problems due to societal injustices. They conduct perilous and long-distance journeys to developed foreign countries illegally in the hopes of a better life, or they become mired in narcotics and addiction, and a large number of them join deviant groups.

Despite the tough and often hazardous conditions that migrants face, many Afghans continue to leave the country and settle elsewhere. Afghanistan has the world's second-largest refugee population, with 2.5 million registered refugees, according to the United Nations High Commissioner for Refugees. Afghans are the second-largest group of migrants coming in Europe, driven mostly by conflict. According to Eurostat, the European Union's statistical agency, 43,800 Afghans sought refuge in the EU in 2017, with 41,000 seeking asylum in 2018. More than 20,000 Afghans were reported to have filed for asylum in the first half of the year, implying that similar figures will be repeated in 2019. According to the 2019 Survey of the Afghan People (Figure 3), 54.9 percent of respondents report that their household members' employment situation is worsening. In Afghanistan, more than half of the population lives in poverty. As a result, the hunt for better economic opportunities in foreign host countries remains a factor in migration. Unemployment is mentioned as one of the two key reasons by 51.6 percent of the 37.9% of respondents who say they would leave Afghanistan, which is the same as in 2018. Additionally, unemployment is mentioned by men more than women (59.6% vs. 43.0%), which is consistent with previous years.

**Figure 3: Most-Cited Reasons For Leaving, By Year:**



Source: [https://reliefweb.int/sites/reliefweb.int/files/resources/2019\\_Afghan\\_Survey\\_Full-Report.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/2019_Afghan_Survey_Full-Report.pdf)

## **Research Questions:**

After insecurity, unemployment is Afghanistan's second most critical concern. Yet, since last year's survey, unemployment has risen, making it one of the top three national and community issues. This reflects the country's growing economic difficulties, as well as widespread conflicts and a "youth bulge." Chapter 2 discussed the multitude of negative consequences of unemployment in Afghanistan, severe insecurity concerns, and an ever-growing youthful cohort of people. As a result, it is critical to investigate the causes and factors of unemployment in Afghanistan to make suggestions to the government on reducing unemployment.

The following aims are the focus of this research:

1. Exploring the dominant factors that cause unemployment in Afghanistan
2. Finding the unemployment and insecurity/conflict nexus and correlation
3. Unemployment and youth bulge in Afghanistan

## Chapter 3: Literature Review

A substantial quantity of research accessible in the area can help us examine the various characteristics of unemployment as they are encountered around the world. The literature aids us in comprehending its determinants, causes, and extent of spread in different historical periods, the reasons for failures in various societies to overcome this curse, and the policy recommendations propagated by various economies to wipe it out. Unemployment is exacerbated by the range of socioeconomic processes that occur inside the labor market. A certain discrepancy of social indices creates unemployment, and it has a systemic social aspect. Unemployment develops as a result of a variety of social influences, both positive and detrimental. These elements are known as determinants of unemployment. "The problem of unemployment is consecrated in the works by S. Fisher (2010), R. Dornbusch (2010), R. Starz (2010), A. Oaken 1975, M. Keynes (1936) and many others. The essence and causes of unemployment were investigated by scientists of various schools and directions, in particular by A. Smith (1776), A. Marshall (1890), F. Hayek (1979), J. Schumpeter (1910), J. D. Sachs, and F. B. Larrain (1994) and others" (Kilimova and Nishnianidze, 2017). Scientists investigated unemployment by conducting data analyses and identifying links with macroeconomic variables. As a result, the demographic aspects of employment are linked to the idiosyncrasies of population reproduction. Socio-demographic dynamics perform one of the essential roles in modern society in the current socioeconomic situations. Therefore, it is feasible to identify current unemployment problems, which is a macroeconomic phenomenon, using socio-demographic indicators.

Based on the results of the research conducted by Khan and Sadat in 2020 about "Afghans' General Perception of Major Causes of Unemployment," It was discovered that university graduates made up the majority of the unemployed, followed by postgraduates. In addition, the majority of Afghans rely on private and government occupations to support their families. According to the data, a considerable percentage of the respondents said they had been unemployed for a year. Many others stated that they have been unemployed for one to two years. Based on the research findings, four primary issues were investigated since they were thought to be major causes of unemployment in Afghanistan. These are the following factors: (1) the country's long-term economic crisis, which is assumed to have been triggered by civil unrest and protracted war. (2) The lack of a standardized education system, which the protracted conflict has ravaged, has increased the unemployment rate. (3) Another factor causing the unemployment rate to rise is a lack of professional skills. Finally, nepotism is one of the most serious issues in Afghanistan, preventing many talented candidates from applying for coveted positions.

A different study was conducted to find the determinants of unemployment in Pakistan by (Meqbool et al. 2013). With the help of empirical evidence, they explored the relationship between the population, foreign direct investment, gross domestic product, inflation, external debt, and unemployment. Population, GDP, inflation, and foreign direct investment all have a long-term impact on unemployment, according to the findings. In both the short and long run, there is an inverse and significant relationship between unemployment and inflation. Another source of empirical data on youth unemployment is the study of Dimitrov (2012), which looked at youth unemployment in Bulgaria. According to the study, the country's young unemployment rate was high, and prominent factors of youth unemployment were early school leaving age, low education quality, and macroeconomic conditions. As per the findings, socioeconomic position and family history have a significant influence on individual unemployment. Consider that both or one of the parents is unemployed, inactive, has

a low education, is illiterate, lacks skills and qualifications, lives in poverty, or is a member of a particular ethnic group. In that case, the youth are likely to pursue the same.

Another study's goal was to determine the socioeconomic and demographic factors that influence unemployment in Ethiopia. The data was analyzed using descriptive and binary logistic regression methods. The variables age, sex, area, place of residence, educational level, economic position, marital status, sex of family head, and household size are all determinants of an individual's unemployment status in Ethiopia. It was suggested that, in the short term, employment requiring manual labor by humans be created. Women should be empowered, and their participation should be increased. The government's, as well as other organizations' efforts in this area, should be bolstered. In the big scheme of things, raising and improving educational standards and academic qualifications will increase the odds of not living in poverty (Abera, 2013).

Another study's goal was to look at the elements that contribute to youth unemployment in Tanzania and come up with solutions to this problem. The study examines the factors of unemployment in Tanzania using a multinomial logistic regression model (MLM). The study's dependent variable was youth unemployment status, divided into three groups: employed, jobless, and inactive. The analysis relied on secondary data from the National Bureau of Statistics' 2006 integrated labor force survey, the most recent survey available. Gender, geographic region, education, skills, and marital status are major factors in explaining the variation in youth employment status in Tanzania. The study's findings indicate that gender is a crucial factor of unemployment, with male youth having a higher likelihood of being employed than female youth. Moreover, the geographic location of young people was discovered to be a key impact, with young people living in cities being five times more likely to be unemployed than those who live in rural areas. Youth who have not completed primary education or who have completed primary education but did not continue with further studies are less likely than those who have completed primary education but did not continue with further studies to be unemployed as a result of their participation in informal employment activities. (Msigwa and Bwana 2014).

### **3.1: Unemployment and insecurity nexus:**

Consequently, one reason why insecurity and instability persist is widespread poverty tied to an unprecedented high unemployment rate. Several studies and papers by well-known institutions like the Center for Strategic and International Studies have found that "poverty kills more Afghan people than those who die directly as a consequence of military fighting." Others have linked a high unemployment rate to an increase in criminal and terrorist activity across the country. According to the Foreign Policy Journal, The "Idle army of young populations" finds no alternative except to "join the ranks of terrorist networks, in exchange for the wages". The Taliban and ISIS appear to have taken full advantage of the country's catastrophic economic circumstances, recruiting thousands of young unemployed youths, who would otherwise be a highly valued asset, to their ranks. This has aided in the persistence of a long-running war, as well as the perpetuation of horrible crimes, including terrorism, kidnapping, robbery, murder, extortion, and the illegal drug trade. Due to a lack of economic prospects, many of Afghanistan's young and capable people have been compelled to flee to Pakistan or Iran. As a result, the Iranian and Pakistani governments have formed militant groups out of the vulnerable Afghan refugee youngsters, utilizing them to achieve military goals, increase their power, and safeguard their regional interests (Shakeer, 2019). Nonetheless, a large body of empirical evidence suggests that unemployment is linked to terrorist attacks. Moreover, male youth is sometimes regarded as a "conflict risk" that increases the

likelihood of provocation and maintenance of violence. “The lack of chances in their communities often leads them to lean towards violent conflict and acts of terrorism” the authors of the 2003 World Youth Report write.

The role of employment in a crisis or post-conflict context like Afghanistan is complex and requires a more sophisticated understanding. Defining the unique characteristics of economic policies needed to aid post-conflict recovery. In this regard, Collier (2009) emphasizes the importance of employment. He accurately recognizes that the main cadre of each violent social upheaval or movement is frustrated (and typically poor) young men. Assuming that violent conflict can be settled through military means, restraining the primary demographic of mostly male young from returning to militancy is the key to any successful post-war rehabilitation. According to Collier, the most effective way to accomplish this is to create gainful employment opportunities, particularly for at-risk youth. As a result, post-conflict recovery initiatives must focus on job creation and are targeted toward absorbing unskilled, poor youth, minimizing the likelihood of them returning to war. Countries that have been involved in long-running conflicts are more likely to inherit unfavorable economic conditions due to considerable damage to their physical and institutional infrastructure. Even under the best-case scenario, recovery will take time, and substantial economic expansion would not be enough to produce adequate employment in the short term. As a result, financially induced governmental employment programs play a significant role in the early stages of post-conflict rehabilitation. Mcleod and Davalos (2008) provide case studies from various post-conflict contexts to emphasize the significance of governmental employment programs. They stress the importance of incorporating job training programs into the disarmament, demobilization, and reintegration (DDR) processes that are routinely utilized in post-conflict situations. Apart from providing a source of income for ex-combatants and their families, job and training programs pave the way for a smoother transition to a private-sector employment-based economy in the future.

The probable relationship between unemployment and violence is another factor that demands an urgent recovery of growth and job creation in Afghanistan. As previously stated, Afghanistan has an exceptionally young population, making unemployment and underemployment disproportionately affect young people. There is substantial evidence that young unemployment and youth bulges are strongly linked to conflict and terrorist organizations' ability to grow their influence among the youth on a worldwide scale (Urdal 2004, 2006). According to research, 80 percent of Afghanistan's unemployed youth live in rural areas with little economic opportunities, with two-thirds of these rural unemployed male youth being illiterate or possessing only a rudimentary education (World Bank 2017a:21). On the one hand, this shows an exceedingly bleak outlook for the unemployed's future employability based on their basic skills. Alternatively, it raises concerns about the dangerous combination of alienation and illiteracy that makes these youth vulnerable to extremist ideas and practices. Moreover, the rise in civilian casualties, which coincided with the recent economic downturn, suggests that the link between financial hardship and violence is exceptionally substantial. A coordinated public effort is required to break the poverty-conflict cycle, in which a lack of economic opportunities generates conflict and war, and aggravates economic opportunity.

Most aid spending by governments attempting to restore social and political order, on the other hand, is centered on the opportunity cost of drawing away potential recruits.. The theory suggests that unemployed young men are less likely to engage in political violence, linking unemployment and violence in areas where insurgencies are prevalent. To test that prediction in Afghanistan, Iraq, and the Philippines, the authors (Berman et al., 2011) used survey data on unemployment and two newly available insurgency metrics: (1) assaults on government and ally forces, and (2) terrorism that kills innocent people. The findings, according to the opportunity-cost argument, definitively refute a positive link between unemployment and

attacks on government and ally forces. Similarly, there is no link between unemployment and the frequency of insurgent attacks that result in civilian deaths.

The influence of youth unemployment as a factor of terrorism in the MENAP (Middle East, North Africa, Afghanistan, and Pakistan) region was studied by Bagchi and Paul in 2017. There has also been a lot of study on the issue that influences terrorism. However, there are few studies that look into the role of the youth population in terrorism. The importance of three terrorism-related elements noted in the literature: youth bulge, unemployment, and inequality, prompted us to focus on the impact of youth unemployment in particular. Take, for example, the role of the youth bulge as a predictor of terrorism. It is predicted that when the adolescent cohort grows in size relative to the adult population, a country or region becomes vulnerable to violence such as terrorism. This idea is supported by two factors, according to Urdal, 2008. First, if a country's young population grows but the labor market is unable to absorb them, the youth would feel abandoned. Likewise, terrorist organizations will find it simpler to recruit these individuals, leading in an increase in terrorism. Second, Feldmann and Perala and Piazza both evaluated unemployment as a possible determinant of terrorism. According to Piazza p. 166, "...the average national unemployment rate for each country would be expected to bear a significant positive relationship with terrorism, as unemployment precipitates the stress of idle workers who might suffer from unmet economic expectations and therefore turn to political violence". Inequality, third, may play a role in the spread of terrorism. Due to a lack of career prospects, the gap between an individual's expected and real well-being leads to social dissatisfaction and, inevitably to terrorism. However, there is little evidence in the literature to support each of these characteristics regarding their impact on terrorism. Gassebner and Luechinger, 2017, for example, found that none of these three characteristics are accurate indicators of terrorism. (Schomaker, 2013) investigated the root causes of Middle Eastern domestic terrorism. She believes that the problem stems from several factors in the Middle East, including a large youth population, a lack of political participation, and limited migration prospects.

We have already examined how the youth bulge contributes to terrorism. Political participation is meaningful because it gives citizens some power over their circumstances. Moreover, Individuals can leave a country if they are unhappy with their living conditions; hence migration prospects are significant. According to the Survey of Afghan People in 2019; Insecurity is a powerful motivator for Afghans trying to flee the nation. Domestic insecurity is the most frequently mentioned reason for migration in 2019. Insecurity is cited as the primary reason for leaving by nearly three-quarters (77.7 percent) of those who say they would leave Afghanistan because of the insecurity situation. Whereas, Unemployment is cited by 51.6 percent of respondents, and the poor government is cited by 28.4 percent (including corruption, injustice, and high prices).

In the study conducted by Gouda and Marktanner in 2019 about the "Muslim Youth Unemployment and Expat Jihadism", the debate over the driving forces behind the influx of foreign fighters into Syria is loose and plagued with ambiguity. The role of economic grievance, mainly that caused by unemployment, is a contentious topic. Some researchers feel that unemployment motivates expat jihadism, whereas others disagree. Other studies, of course, make use of other data sets and methodologies. To better model such events, more empirical evidence is required. By supporting the "unemployment matters" viewpoint, the paper adds to the conversation. Their main contribution is the importance of the interplay of youth unemployment with the Muslim population fraction, which has been overlooked in previous studies. They show that when an outcome variable is taken into account, youth unemployment plays a substantial role as a motivator of expat jihadism. Youth unemployment in Muslim countries and Muslims in Western countries, according to their empirical model, are major predictors of expat jihadism. As a result, youth unemployment among Muslims serves as

an early warning system that necessitates special government attention, regardless of where they reside in the world.

Another study conducted by (Azeng and Yogo, 2015): regarding three ideas on the effects of youth unemployment on political instability in developing countries. To begin with, youth unemployment has a considerable impact on the likelihood of political unrest. Second, we believe that the relationship between unemployment and political instability is dependent on educational attainment. Finally, we investigate whether youth unemployment, rather than global instability, can lead to anti-government demonstrations. The findings imply that there isn't a strong link between youth unemployment and political instability. The key predictors of political instability (GDP growth, inequality, and inflation) are also causes of unemployment, which could explain this finding. The incidence of political violence and armed conflicts in a country cannot be explained just by unemployment. As a result, youth unemployment appears to be a symptom rather than a disease. In addition, the findings also show that youth unemployment has a positive effect on political violence. However, this effect is weaker in nations with a high level of education. This backs up the idea that countries with a high degree of education are less likely to experience political violence. The opportunity cost of an unemployed young person with a higher level of education participating in a rebellion or riot is too high; however, the opportunity cost would be reduced if the individual was unemployed and had a low level of education.

Ordinary Afghans should believe that the stability process is assisting them in becoming more self-sufficient and productive members of society. Only half of the plan is concerned with security. It cannot provide viability to the development process on its own unless it is combined with an economic empowerment strategy. People have a reliable source of income and feel respected and participate in the process when jobs are established in communities. Furthermore, they can resist weak administration and instability when they have the financial and political resources to speak out for their rights. The process should feel like it belongs to the younger generations. To keep them from becoming unemployed and being used for hostile motives, hence more investment is needed. Instead, the youth should be prepared to become better and more responsible citizens who can contribute to the nation's development.

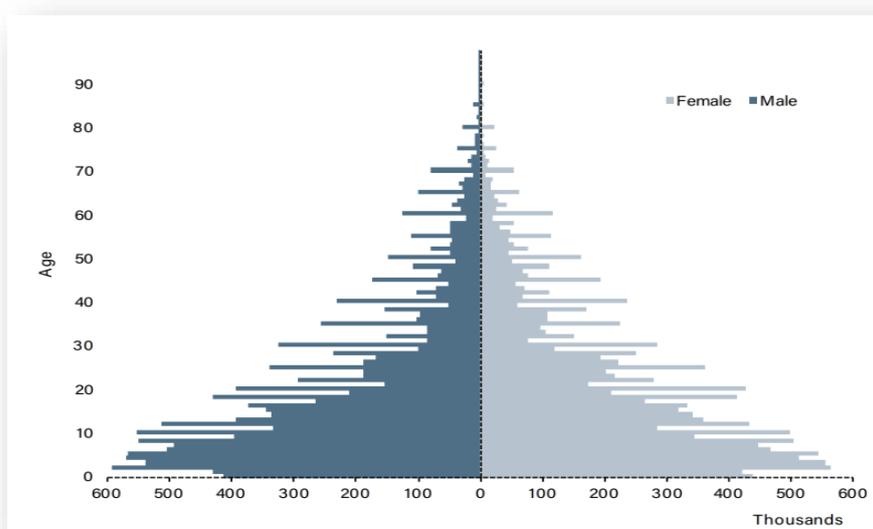
### **3.2: Unemployment and Youth Bulge in Afghanistan:**

The term "youth bulge" refers to a population in which the proportion of young people is much higher than the number of persons in other older age groups. The youth bulge is defined as significant cohorts (over 20%) between 15 and 24 compared to the general adult population, according to the UN-affiliated Integrated Regional Information Network. Approximately 44% of the world's 7.2 billion individuals are under the age of 24 today. And 26% are under the age of 14. A stunning 82 percent of the world's 7.2 billion inhabitants reside in less developed regions. The 'youth bulge,' as it is known, is particularly prominent in volatile states and Africa. As the highest fertility rates are found in developing and least developed countries. Afghanistan has one of the world's largest percentages of young individuals, many of whom have only experienced conflict. A young population can stimulate national growth if the government and economy are strong enough to provide opportunities for upward mobility and financial independence. The problems begin when a young laborer loses his job, becomes restless, destitute, and illiterate. Young adults have been particularly vulnerable to violence, radicalism, and social unrest in recent years (Gaan,2015). According to the Asia Foundation's Survey of the Afghan people in 2019, Afghanistan has one of the world's fastest-growing young populations, thanks to its high fertility rate, short average life span, and reducing baby and child death rate. Over 63 percent of the population is under the age of 25, and 46% is under 15. The Afghan government has to turn its attention to this

youth population, which is among the largest globally and faces a shortage of educational and work prospects. Young people's high unemployment rates should be a reason for alarm. Youth unemployment has climbed to the top of the development agenda around the world as a result of the acknowledgment that young people are among the most vulnerable groups in the labor market. Unemployment at the start of a career, especially if it lasts a long time, can severely impact future job chances and the capacity to live a self-sufficient and satisfying life. It also contributes to disappointment, hopelessness, and dissatisfaction, which, if widespread in society, is a major cause of civil unrest. Therefore, youth unemployment and underemployment, according to literature, are a threat to a country's social, political, and economic stability, as well as a source of civil unrest and violence. (Azeng and Yogo 2013).

Afghanistan has an extremely young age structure as a result of its high fertility rates. (Figure 5) shows that 47.7% of the population is currently under the age of 15. Over the last few years, this proportion has remained relatively constant. In 2013-14, 47.5 percent of the population was under 15, compared to 48.6% in 2007-08. On the other side, Afghanistan has an extremely low proportion of elderly people. Only 2.7 percent of the population is 65 or older right now. Due to the country's youth bulge, Afghanistan's dependency ratio has reached an all-time high of 101.5. The high dependency ratio in Afghanistan is a huge economic burden, as valuable resources must be spent on the education, health care, and social development of the country's youth. On the other hand, if Afghanistan's fertility rate falls rapidly, the country's large population of young people might start a phenomenon known as the "demographic dividend" provided the right conditions and policies are in place. Age-and period-specific fertility, mortality, and migration, which interact with the life cycle of production and consumption of people and households, produce changes in a population's age structure. (Mason and Kinugasa 2005). A higher amount of people entering productive age groups would have a favorable influence on the economy. Everything else being equal, a bigger number of active individuals would result in higher per capita income levels provided the government took suitable economic measures.

**Figure 5: Population, by sex, and by single year of age (in thousands)**



Source: [https://www.NSIA.gov.af/publications/IELFS 2020 Report](https://www.NSIA.gov.af/publications/IELFS%20Report)

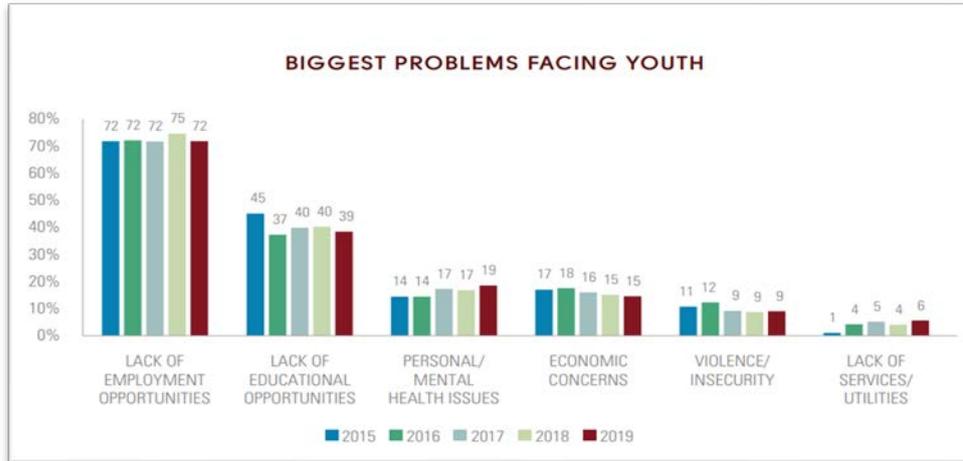
Young adults who are neither employed nor enrolled in education or training (NEET) are essential targets for policymakers, as they may struggle to learn new skills and erode their competencies. As a result, these individuals are more likely to face the labor market and social marginalization in the future, and they are more likely to rely on others or government services. The proportion of youth not in employment, education, or training (NEET rate) measures youth who are not in school, not in training, or not working. It hence represents a bigger group of potential young labor market participants than youth unemployment. In addition, it includes resentful young workers and those who are unable to work due to ailment or family obligations, among other factors. NEET is thus a more robust indicator of the current universe of potential young labor market entrants than the youth inactivity rate. However, the latter includes youngsters in school and out of the labor force, thus not being regarded as currently available for employment. The table below shows the country's overall NEET rate (42.0%) and rates for several sub-populations. The difference in NEET rates between urban and rural young people is minor, but there are significant gender and disability status variances. Women's low participation in school and training, significant female unemployment, and notably meagre female labor force participation contribute to the high female NEET percentage. The following table (1.3) shows the youth not in employment, education, or training (NEET), obtained from the IE&LF '20 data set.

**Table 1.3: Youth not in employment, education, or training (NEET) by sex and residence (in thousands and percentages)**

Residence and sex	In thousands	In percentages
National	2085.3	34.4
Male	411.2	14.0
Female	1674.1	53.4
Urban	381.3	22.2
Rural	1580.7	38.4
Kuchi	123.3	52.0

According to the 2019 survey of the Afghan people (figure 5); In 2015, respondents were asked to indicate the two most pressing issues confronting young people. Overall, there has been little change since then. In 2019, the most cited issue was lack of employment (72.0 percent, down from 74.7 percent in 2018), followed by lack of educational opportunities (38.5 percent, down from 40.3%), personal/mental health issues (18.5 percent, up from 17.0 percent), economic concerns (14.5 percent, down from 15.1 percent), and violence/insecurity (14.5 percent, down from 15.1 percent) (9.1 percent, up from 8.9 percent).

Figure 5: What are the biggest problems that youth are facing in Afghanistan?



Source: [https://reliefweb.int/sites/reliefweb.int/files/resources/2019\\_Afghan\\_Survey\\_Full-Report.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/2019_Afghan_Survey_Full-Report.pdf)

## Chapter 4: Research Methodology and Descriptive Analysis

This chapter explains the research methodology adopted in this study to investigate the root causes of unemployment in Afghanistan. For the data analysis, we will use secondary data; the most recent nationally representative and robust national household survey called the Income, Expenditure and Labour force Survey (IE&LFS), conducted in 2020. The (IE&LFS 2020) is Afghanistan's National Statistics and Information Authority's (NSIA) first survey to use cutting-edge IT technologies, changing from paper-based to tablet-based data collection. The seventh round of the Afghanistan development conditions surveys series, which began in 2003, provides data on several development topics in Afghanistan. One of NSIA's most important surveys is the IE&LFS. The Income and Expenditure and Labor Force surveys are two separate surveys, but both were conducted concurrently. Both surveys' questionnaires were administered at the same household, which undoubtedly aided in the cross-tabulation of different variables. On both the national and provincial levels, it provides users and policymakers with detailed data on Afghanistan's development situation on various aspects of population, disability education, health, housing, food security, poverty and inequality, gender, labor market, child labor, shocks and their coping strategies, and people's development priorities. The IE&LFS 2020 sampling design ascertained that the Kuchi (Nomad) population and Shamsi calendar seasons were representative at the national and provincial levels. There are 35 strata, 34 for Afghanistan's provinces and one for the nomadic Kuchi population. Data collection was uniformly distributed across the provinces over a 12-month period to achieve seasonal stratification. The design only allowed for sampling in the Kuchi population during the winter and summer months, when community members temporarily settled. The province-by-province distribution of sampling areas was based on an optimal trade-off precision between national and provincial levels. The IE&LFS 2020 sampling frame is a high-resolution imagery-based frame created by the National Statistics Information Authority (NSIA). The sample frame was made up of 30,060 Enumeration Areas (EA). NSIA maintains an electronic file of 30,060 EAs that span the entire country.

**Variables selected:** A set of explanatory variables was chosen to predict whether a person will be in the labor force (either employed or unemployed). Individual characteristics (sex, age, married status, literacy, and greatest educational achievement) and characteristics of the person's household are included in this set of explanatory variables (residence type). Other key variables that were selected are the insecurity perception and NEET. The following are the demographic characteristics variable that is selected for the data analysis.

1. **Labor Force Status (unemployment definition):** According to ILO, the traditional definition of unemployment is the number of working-age people who are jobless yet eager to search for employment. This covers both people who have lost their jobs and those who have voluntarily left their jobs. However, in impoverished developing nations, particularly low-income countries, there are certain challenges with the idea of unemployment. Because there is no social protection in certain developing nations, unemployment is not a choice for the poor. They are forced to labor in the informal economy. Hard and subsistence labor might sometimes only provide a meagre living. Therefore, employment does not provide a living wage above the poverty level in developing countries. Consequently, we used a broad

definition of unemployment according to the context of Afghanistan. by combining six variables from the data set., which are the following.

1	2	3	4	5	6
In the last week, did you/[NAME] work for pay for any business, organization, or person that does not belong to this household, even if only for one hour? INCLUDE DAILY WAGE WORK	In the last week, did you/ [NAME] do any farm work on own land or land of others - such as cultivating, harvesting crops, land preparing - or tend any live-stock or poultry?	In the last week, did you/ [NAME] do any non-agricultural work, on own account or in a business that belongs to this household, or one of the household members, even if only for one hour, e.g. in trading, running a shop, driving a taxi, tailoring, carpentry, carpet weaving, making handicraft	In the last week, did you/ [NAME] produce any durable goods - such as clothes, carpets, kilims, furniture, etc- for own use by household members	How many days did you/ [NAME] work in the last 7 days at this main work?	How many actual hours per day did you / [NAME] work on average in the last 7 days at this main work?

The labor force status gives us information about the three components of the labor force. i.e. 1. In employment 2. Temporary absent 3. Not in employment.

2. **Gender:** Gender includes only male and female
3. **Location (urban, Rural, and Kuchi):** The location or residence variable shows us the dwelling of the labor force status in the urban, rural, and Kuchi.
4. **Marital status:** The marital status includes the categories like married, divorced, widowed, engaged, and never married.
5. **Employment by sector:** The sector variable and occupation categories were retrieved from the ISIC<sup>3</sup> occupation codes.
6. **Educational Attainment:** Did the respondent ever attend school?
7. **Level of education:** What is the highest grade of schooling, and at which level, completed by the respondent? This variable is comprised of 8 categories: 1. Primary schooling 2. Lower, 3. Upper secondary, 4. Teacher college, 5. Technical college, 6. University, 7. Post-graduate, 8. Islamic school
8. **Perception of security (district level):** The perception of security variable is taken from the IELFS data set, which asks respondents; what is their overall perception of safety and insecurity in their respective district. The variable has four categorical answers: safe, very safe, insecure, and very insecure. For the sake of convenience in our analysis, we have combined the first two categories as “Safe” and the other two as “not safe.”

<sup>3</sup> Based on the International Standard Industrial Classification ISIC Rev.2 (UNDESA 1986)

9. **NEET (Not in education, employment, and training):** The percentage of young people who are neither employed nor enrolled in school or training (the so-called "NEET rate") is a relatively new measure, but one that international organizations and the media are increasingly emphasizing. The "NEET" concept's popularity stems from its perceived ability to treat a wide range of youth vulnerabilities. This variable is taken from the individuals in the labor force whose age is from 15 years to 24, who are not employed and have no education. This variable is taken to identify the youth bulge phenomena concerning security perception in Afghanistan.

## Descriptive Analysis:

In this descriptive analysis, we have analyzed all the required variables that will be further used for the data analysis. The variables used; are the labor force status, which has three characteristics, i.e., in employment, temporary absence, and not in employment. In addition, a collection of explanatory variables was also selected. This collection of explanatory variables includes individual characteristics (sex, age, marital status, employment by sector, literacy, and highest educational accomplishment) and aspects of the person's location (residence type). The main variables that will be analyzed extensively to find the determinants of unemployment will be the insecurity perception and youth bulge (using the NEET variables).

Variables	Observations	Mean	Std.dev.	Min	Max
In employment	136,848	0.174	0.379	0	1
Temporary absent	136,848	0.004	0.061	0	1
Not in employment	136,848	0.822	0.383	0	1
Gender	136,848	0.511	0.500	0	1
Age	136,848	19.831	17.134	0	98
<b>Marital Status</b>					
Married	136,848	0.339	0.473	0	1
Divorced/separated	136,848	0.004	0.063	0	1
Widow	136,848	0.016	0.126	0	1
Engaged	136,848	0.021	0.143	0	1
Never married	136,848	0.620	0.485	0	1
<b>School attended</b>	29,833	1.250	0.433	0	1
<b>Level of education</b>					
Primary	39,440	0.482	0.500	0	1
Lower	39,440	0.191	0.393	0	1
Upper Secondary	39,440	0.205	0.403	0	1
Teacher college	39,440	0.031	0.172	0	1
Technical college	39,440	0.007	0.084	0	1
University	39,440	0.069	0.253	0	1
Post-graduate	39,440	0.004	0.066	0	1
Islamic School	39,440	0.012	0.109	0	1
<b>Residence</b>					
urban	136,848	0.211	0.408	0	1
rural	136,848	0.760	0.427	0	1
kuchi	136,848	0.029	0.168	0	1
<b>Sector-wise employment</b>					

Agriculture	136,848	0.087	0.282	0	1
Mining and quarrying	136,848	0.002	0.044	0	1
Manufacturing	136,848	0.014	0.119	0	1
Electricity, gas and water	136,848	0.000	0.014	0	1
Construction	136,848	0.016	0.127	0	1
Wholesale and retail trade and restaurants and hotels	136,848	0.018	0.134	0	1
Transport, storage, communication and information	136,848	0.012	0.107	0	1
Financing, insurance, real estate and business services	136,848	0.002	0.046	0	1
Community, social and personal services	136,848	0.034	0.180	0	1
Industry information is missing or not adequately defined	136,848	0.000	0.003	0	1
<b>Security/insecurity perception</b>	135,046	0.080	0.271	0	1
<b>NEET</b>	26,714	0.279	0.449	0	1

# Chapter 5: Econometric Models and Data Analysis:

## 1. Simple regression:

In the first regression model, for the sake of convenience, we are using simple regressions. The first model, 1.1, is a logit regression model composed of fewer variables. For example, unemployment is taken as a dependent variable, and safety or security perception, gender, and age are taken as independent or control variables. In the subsequent models, more control variables are added like education attainment, marital status, location, and employment sectors to find robust results. This was required to determine the model's capacity to forecast the dependent variable reliably.

**Econometric Model 1.1:**  $Not\ in\ employment = \beta_1 safe + \beta_2 gender + \beta_3 age$

**Econometric Model 1.2:**  $Not\ in\ employment = \beta_1 safe + \beta_2 gender + \beta_3 age + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location$

In the second model, more control variables are added, like the level of education, marital status and location. In order to find the impact of these variables on unemployment.

**Econometric model 1.3:**  $Not\ in\ employment = \beta_1 safe + \beta_2 gender + \beta_3 age + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location + \beta_7 Sector$

In the third model along with all the previous variables, the variable sector is added. In order to find the impact of these variables on unemployment.

## 2. Now running regression about youth bulge, simple regressions:

The youth age cohort, by definition, should have been from 15-24 years old; however, to have robust results and more coverage of the young population, we are expanding the age cohort from 15-30 years old. In this logit model, we find the impact of unemployment on youth unemployment or youth bulge. Our main objective in this model is to find the impact of youth bulge and insecurity perception. As from our literature review, we know how the young army of the unemployed population is vulnerable to the conflicts and threat to the overall insecurity in the country.

**Econometric Model 2.1:**  $Not\ in\ employment = \beta_1 safe + \beta_2 gender + \beta_3 age (15 - 30)$

**Econometric Model 2.2:**  $Not\ in\ employment = \beta_1 safe + \beta_2 gender + \beta_3 age (15 - 30) + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location$

**Econometric model 2.3:**  $Not\ in\ employment = \beta_1 safe + \beta_2 gender + \beta_3 age (15 - 30) + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location + \beta_7 Sector$

**3. Now, we have to analyze about NEET. NEET is now the dependent variable here.**

In model 3, we take NEET as the independent variable and the same control variable in the previous models. We then slowly add up more control variables to find the robustness of the results of the unemployed youth, who are engaged neither in employment nor education. We aim to find the impact of youth bulge and unemployment in this model.

**Econometric Model 3.1:**  $NEET = \beta_1 safe + \beta_2 gender + \beta_3 age$

**Econometric Model 3.2:**  $NEET = \beta_1 safe + \beta_2 gender + \beta_3 age + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location$

**Econometric model 3.3:**  $NEET = \beta_1 safe + \beta_2 gender + \beta_3 age + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location + \beta_7 Sector$

**4. District level safety on youth unemployment:**

This model is the same as model 1, but we have included the insecurity perception at the district level. To find more robust results regarding the impact of insecurity perception on unemployment. The models subsequently get bigger by adding more control variables for finding more robust results.

**Econometric Model 4.1:**  $Not\ in\ employment = \beta_1 District\ level\ safety + \beta_2 gender + \beta_3 age$

**Econometric Model 4.2:**  $Not\ in\ employment = \beta_1 District\ level\ safety + \beta_2 gender + \beta_3 age + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location$

**Econometric model 4.3:**  $Not\ in\ employment = \beta_1 District\ level\ safety + \beta_2 gender + \beta_3 age + \beta_4 Level\ of\ education + \beta_5 Marital\ status + \beta_6 Location + \beta_7 Sector$

## Chapter 6: Results

The following analysis is conducted to explore the essential demographic variables, which will help us determine the relationship among various control variables and their impact on the overall labor force status. And later, we will explain our econometric models used in the research paper to determine the effect of the same variables on unemployment in Afghanistan.

### Preliminary results:

After analyzing the variable for the labor force status (Table 4.1), the results showed 17.44% of the population were engaged in employment, 0.37% were temporary absent, and a whopping 82 % of the population were not in employment unemployed. The high unemployment rate is alarming and catastrophic for the socio-economic indicators and its development in Afghanistan. Most crucially, unemployment definition in the standard term according to the ILO in poor and lower-middle-income nations is a vague term; in the lack of family or societal security, people are forced to work and earn to make ends meet or survive. 'Disguised unemployment,' a phrase popular in development economics in the 1970s, is usually associated with forced employment in informal services.

**Table 4.1: Labor force status**

ILO Labor force status	Freq.	Percent	Cum.
In Employment	23,872	17.44	17.44
Temporary absent	508	0.37	17.82
Not in employment	112,468	82.18	100.00
Total	136,848	100.00	

The female participation in the labor force is alarmingly low at 6% compared to male counterparts, which is 28%. Moreover, the overall labor force participation is very low, as few people are engaged in employment. Consequently, not in employment or unemployment percentage is staggeringly high; which is 93% for females and 71% for males. This provides a bleak image of the overall un/employment situation of the country.

**Table 4.2: Labor force participation by gender:**

ILO Labour Force Status	Female	Male	Total
In Employment	4,057 (6%)	19,815 (28%)	23,872
Temporary absent	78 (0.11%)	430 (0.61%)	508
Not in employment	62,747 (93%)	49,721 (71%)	112,468
Total	66,882	69,966	

The table below shows the employment and unemployment scenarios in the geographical location or residence. The results suggest that there are fewer employment opportunities in

urban areas compared to rural areas. Nevertheless, the difference in the employment rate is slightly different in urban and rural, which is 15% and 17%, respectively. In the same way the unemployment rate is 84% and 81%, respectively. Whereas the employment rate (23%) is slightly better for the Kuchi (gypsy) population than urban and rural areas, the unemployment rate is also higher at 76% for the Kuchi population.

**Table 4.3: Labor force and location/residence:**

ILO Labor force status	Urban	Rural	Kuchi	Total
In Employment	4,453 (15%)	18,471 (17%)	948 (23%)	23,872
Temporary absent	161	346	1	508
Not in employment	24,298 (84%)	85,130 (81%)	3,040 (76%)	112,468
<b>Total</b>	28,912	103,947	3,989	136,848

The table(4.4) below shows the employment and unemployment number for the marital statuses. For the married, divorced, widow, engaged and never-married individuals; the employment rate is 38%, 8%, 11%, 32%, and 5%, respectively, whereas the unemployment is 60%, 91%, 88%, 6%, and 94% respectively. Likewise, the unemployment rate for married, divorced, widow, engaged, and never-married individuals is 60%, 91%, 88%, 6%, and 94%. Consequently, the results suggest that married and engaged individuals are more employed than the other individuals in the marital status. whereas, the unemployed rate for divorced and never married is higher than other categories in the marital status.

**Table 4.4: Labor force status and Marital status**

Labor force Status	Married	Divorced	Widow	Engaged	Never married	Total
In Employment	17,891 (38%)	44 (8%)	262 (11%)	924 (32%)	4,751 (5%)	23,872
Temporary absent	376	0	4	31	97	508
Not in employment	28,082 (60%)	498 (91%)	1,957 (88%)	1,88 (6%)	80,033 (94%)	112,468
<b>Total</b>	46,349	542	2,223	2,853	84,881	136,848

The table (4.5) below shows the engagement or percentage of the population employed across various sectors. The results suggest that the highest percentage (47%) of the population is employed in the agriculture sector; which is true in Afghanistan. It is mainly an agrarian-dominated country, and agriculture is the main contributor to the GDP. The second sector which mostly employs the population in Afghanistan is the service sector, 18%. Finally, the manufacturing sector employs only 8% of the population. Conversely, in the best scenario, it should have been the manufacturing sector, which should have absorbed most of the people; however, it is the agriculture sector in the case of Afghanistan.

**Table 4.5: Labor force participation in various sectors**

sector	Freq.	Percent	Cum.
Agriculture	11,875	46.85	46.87
Mining and quarrying	265	1.05	47.92
Manufacturing	1,968	7.76	55.68
Electricity, gas and water	26	0.1	55.79
Construction	2,243	8.85	64.63
Wholesale and retail trade and restaurants and hotels	2,500	9.86	74.5
Transport, storage, communication and information	1,578	6.23	80.72
Financing, insurance, real estate and business services	291	1.15	81.87
Community, social and personal services	4,594	18.12	100
Industry information is missing or not adequately defined	1	0	100
Total	25,347	100	

Table (4.6) shows the labor force and educational attainment result, which indicates that individuals who attended and did not attend school have no impact on the employment and unemployment rate.

**Table 4.6: Labor force and education attainment**

Did you ever attend school?			
ilo_lfs_emp	Yes	No	Total
In Employment	9,305 (23%)	14,224 (21%)	23,529
Temporary absent	340	158	498
Not in employment	29,799 (75%)	50,595 (77%)	80,394
Total	39,444	64,977	104,421

The level of education shows that the highest number of people have completed their primary schooling (48%). The technical college education is completed by only (0.7%). 6.9% and 0.44% of the people have completed their bachelor's and masters degrees, respectively.

**Table 4.7: Level of education**

Level of Education	Freq.	Percent	Cum.
Primary	18,999	48.17	48.17
Lower Secondary	7,515	19.05	67.23
Upper Secondary	8,068	20.46	87.68

Teacher college	1,209	3.07	90.75
Technical college	277	0.7	91.45
University	2,721	6.9	98.35
Post -graduate	173	0.44	98.79
Islamic school	478	1.21	100
Total	39,440	100	

Table (4.7) analyzes the perception of security/safety and insecurity in the district level, the results suggested that security perception has no significant impact on employment and un-employment.

**Table 4.8: Labor force status and insecurity perception:**

ilo_lfs-emp	Not safe	safe	Total
In Employment	21,622 <b>(17%)</b>	1,961 <b>(18%)</b>	23,583
Temporary absent	432	70	502
Not in employment	102,214 <b>(82%)</b>	8,747 <b>(81%)</b>	110,961
Total	124,268	10,778	135,046

The NEET table (4.8) shows that 20% of the individuals aged 15 to 24 were not in employment or education.

**Table 4.9: NEET (Not in Employment, Education or Training)**

NEET	Frequency	Percent	Cum.
0	21,432	80.32	80.32
1	5,252	19.68	100.00
Total	26,684	100.00	

## Econometric models results:

### 6.2.1 Simple regression:

Simple regressions are used in the first regression model (table 1) for the sake of simplicity. The first model, version 1, is a logit regression model with fewer variables, with unemployment as the dependent variable and safety or security perception, gender, and age as independent or control variables. More control factors are included in the succeeding models, such as educational attainment, marital status, geography, and work sectors, to discover the most robust results. The results suggest no statistical significance of the insecurity perception on the unemployment status in Afghanistan. Also, the result indicates that age-wise, the older individuals are less likely to be unemployed than the young individuals, which explains our youth bulge phenomena and its impact on the overall unemployment scenario in Afghanistan. Other control variables like gender, age, marital status, education, location, and sector-wise employment have a robust statistical significance of 1%.

**Table model 1:** <sup>4</sup>

Variables <sup>5</sup>	Model 1.1	Model 1.2	Model 1.3
Safe	-0.006	0.006	-0.010
Gender	-0.492***	-0.412***	-0.391***
Age	-0.047***	-0.050***	-0.039***
Age-squared	0.000***	-0.000***	0.000***
Marital 1		-0.185***	-0.124***
Marital 2		0.201***	-0.145
Marital 3		-0.223***	-0.169
Marital 4		-0.153***	-0.099***
Education 2		0.046***	0.056***
Education 3		0.066***	-0.096***
Education 4		-0.077	0.050
Education 5		-0.037	0.051
Education 6		0.062	0.166***
Education 7		-0.017	0.121
Education 8		0.107***	0.058
Urban		0.067***	0.277***
Kuchi		-0.181***	-0.309***
Sector 2			-0.598***
Sector 3			-0.618***
Sector 5			-0.618***
Sector 6			-0.648***
Sector 7			-0.616***
Sector 8			-0.598***
Sector 9			-0.677***

### 6.2.2 Now running regression about youth bulge, simple regressions:

The youth age cohort should have been defined as 15-24 years old, but we are increasing the age cohort to 15-30 years old to have more robust results and broader coverage of the young population. The impact of unemployment on youth, sometimes also known as the youth bulge, is investigated in this logit model. The findings imply that older people are less likely to be unemployed than younger people, which explains the youth bulge phenomenon and its influence on Afghanistan's general unemployment situation. Another goal of this model is to determine the influence of the youth bulge and the perception of insecurity. According to our literature analysis, the young army of unemployed people is vulnerable to conflicts and threatens the country's overall security. The (Table 2) results below show that the

<sup>4</sup> The models results and its tables are composed of variable coefficients along with the statistical significance results which are denoted with the stars i.e. 1% statistical significance is denoted by \*\*\*, 5% with \*\*, and 10% is denoted by \*.

<sup>5</sup> We have used robust standard errors and cluster the standard errors at the district level with the option cluster for all the three models.

relationship between the insecurity perception and youth unemployment is *statistically insignificant*. However, other control variables like gender, age, marital status, education, location, and sector-wise employment have a robust statistical significance of 1%.

**Table model 2:**

Variables	Model 2.1	Model 2.2	Model 2.3
Safe	0.015	0.006	-0.013
Gender	-0.417***	-0.352***	-0.336***
Age	-0.071***	-0.064***	-0.042***
Age-squared	0.001***	0.000***	0.000***
Marital 1		-0.145***	-0.110***
Marital 2		-0.053	-0.224***
Marital 3		-0.250**	-0.324***
Marital 4		-0.125***	-0.077***
Education 2		0.057***	0.053***
Education 3		0.095***	0.105***
Education 4		-0.011	0.057
Education 5		0.032	0.061***
Education 6		0.117***	0.161***
Education 7		0.111***	0.162***
Education 8		0.116***	0.071***
Urban		0.076***	0.248***
Kuchi		-0.180***	-0.315***
Sector3			-0.711***
Sector5			-0.713***
Sector6			-.722***
Sector 7			-.702***
Sector 9			-.735***

### 6.2.3 Now, we have to analyze NEET. NEET is now the dependent variable here.

In model 3, the independent variable is NEET, and the control variable is the same as in the prior models. Then we gradually add more control variables to see whether the results of the unemployed young, who are neither employed nor enrolled in school, are robust. In this model, we want to know how the NEET youth bulge affects unemployment. Table 3 suggests that in model 3.1, the insecurity perception and NEET show statistically significant results of 1%. However, if we add more control variables in other models, the results are *insignificant*. In contrast, additional control variables like gender, age, marital status, education, location, and sector-wise employment have a robust statistical significance of 1%.

**Table model 3:**

Variables	Model 3.1	Model 3.2	Model 3.3
Safe	0.063***	-0.014	-0.009
Gender	0.106***	-0.108***	-0.133***
Age	-0.335***	-0.560***	-0.566***
Age-squared	0.009***	0.017***	0.017***
Marital 1		0.267***	0.255***
Marital 3		0.055	0.068
Marital 4		0.161***	0.152***
Education 2		-0.420***	-0.417***
Education 3		-0.471***	-0.466***
Education 4		-0.437***	-0.443***
Education 5		-0.491***	-0.496***
Education 6		-0.651***	-0.651***
Education 7		-0.565***	-0.569***
Education 8		-0.246***	-0.227***
Urban		0.038***	0.035***
Kuchi		0.038	0.034
Sector 2			0.015
Sector 3			0.097***
Sector 4			0.092
Sector 5			0.265***
Sector 6			0.103***
Sector 7			0.244***
Sector 8			0.201***
Sector 9			0.207***

#### 6.2.4 District level safety on youth unemployment:

This model is similar to model 1, except it includes the perception of insecurity at the district level to obtain more reliable results on the impact of insecurity perception on unemployment. The models grow in size as additional control variables are included, resulting in more reliable results. The model 4 (table 4) results show that even the district-level insecurity perception has no *statistical significance* on the unemployment status. However, other control variables like gender, age, marital status, education, location, and sector-wise employment have a robust statistical significance of 1%.

**Table Model 4:**

Variables	Model 4.1	Model 4.2	Model 4.3
District level Safety	-0.028	0.022	0.023
Gender	-0.418***	-0.351***	-0.335***
Age	-0.071***	-0.066***	-0.045***
Age-squared	0.001***	0.000***	0.000**
Marital 1		-0.145***	-0.108***
Marital 2		-0.053	-0.228***

Marital 3		-0.249	-0.319***
Marital 4		-0.122***	-0.071***
Education 2		0.057***	-0.071***
Education 3		0.094***	-0.071***
Education 4		-0.012	0.057
Education 5		0.032	0.068***
Education 6		0.117***	0.160***
Education 7		0.110***	0.161***
Education 8		0.119***	0.075***
Urban		0.078***	0.250***
Kuchi		-0.180***	-0.313***
Sector 3			-0.711***
Sector 5			-0.714***
Sector 6			-0.722***
Sector 7			-0.702***
Sector 9			-0.735***

## Chapter 7: Discussions

This research is conducted to determine the main evil causes of unemployment in Afghanistan. In the data methodology, we used the secondary dataset of the latest nationally representative household survey called the IELF survey. In the data, we first considered the impact of demographic variables like age, gender, marital status, educational attainment and level of education, sector-wise employment, Insecurity perception, and NEET. We have used the empirical formulas or logit regression models to identify the impact of insecurity and youth bulge on Afghanistan's overall labor market failure. Considering the context of Afghanistan's unemployment scenario and the massive informal economy and disguised employment, the traditional definition of unemployment will not be applicable here. Therefore we have used those six variables discussed in the methodology chapter; in order to compute unemployment.

Afghanistan's labor market is characterized by young daily wage labor and informal sector employment, with few work possibilities for the country's youth. A young and rapidly rising workforce demonstrates the Afghan labor market. Along with Pakistan and Nepal, Afghanistan is one of the youngest countries in South Asia due to decades of violence, foreign migration, and relatively high fertility rates. The proportion of people aged 15 and under in Afghanistan is as high as 51.3 percent, suggesting that one out of every two Afghans is poor. As illustrated in table 1, Afghanistan's demographic pyramid has a broad base, which will sustain the number of new labor market entrants growing steadily for the next decade, especially in rural areas. The labor market is forecast to absorb an annual flow of 400,000 to 500,000 additional labor market participants during the next five to ten years.. Peace in Afghanistan also hinges on whether youth rebel groups, mainly the Taliban, are sincere in their willingness to join the negotiated settlement route and help decriminalize women's education and health. As previously stated, the Taliban is hell-bent on enforcing Islamic law in defiance of human rights, abolishing gender discrimination, and women's education and health. Likewise, Afghanistan's expanding youth bulge can be a stumbling block to democracy if the government fails to provide job opportunities. High youth bulge and an army of youngsters not in employment, education, and training (NEET) exacerbate the Afghan labor market crisis. To resolve the youth unemployment crisis, we might also explore overseas labor marketplaces that desperately need active workers. Many countries in the region make billions of dollars by exporting their workers to other countries under the Mutual State Protocol. India, for example, earns 86 billion dollars per year, Indonesia 46 million dollars, and the Philippines 12 billion dollars per year by exporting employees to other nations. However, millions of Afghan laborers are forced to work in illegal labor marketplaces due to the lack of agreement. They are not always compensated and cannot raise their voices due to a lack of a written contract. Therefore, due to political tensions and security concerns, implementing the youth employment process in Afghanistan will be time-consuming and difficult. However, getting all stakeholders on board with this reality and strategy will be the start of a much-needed national conversation about young employment.

Literacy rates among Afghans of working age are quite low, particularly among adults and women. Poor literacy and education levels are a significant barrier to labor market functioning, reducing total productivity and restricting intra-sectoral mobility. In terms of human capital, three decades of conflict have had long-term consequences: barely one out of every four Afghans aged 16 and above can read and write or has finished some type of formal education. These data put Afghanistan at a significant disadvantage compared to other nations, and they constitute a significant impediment to its ability to attract productive investments and future progress. The lack of a trained workforce has also affected the poverty-

reduction potential of aid-induced growth since 2001. Evidence reveals that many good-paying positions generated in the booming service and construction industries were filled with foreign labor due to a local skills deficit. Minimal jobs will continue to be the norm until older employees retire or their abilities improve via training. However, it is critical that the educational system accommodates the rising demand for higher education and that the labor market supply enough decent employment to meet the surge of younger and better-educated employees.

Due to much lower female participation rates, the Afghan labor force is overwhelmingly male-dominated. About seven out of ten workers are men in Afghanistan, indicating significant gender disparities in labor force participation. Female labor is mainly used as a buffer stock to be used in times of need and when labor demand is highest, and households rely on female employment as a last resort. While low female participation rates are common in other countries in the region, the lack of female economic empowerment has significant implications for intra-household resource allocation, with negative consequences for children's human capital investments and, more broadly, household economic well-being. Greater female economic engagement is a huge possibility for Afghanistan's rehabilitation. We recognize that overcoming obstacles at all levels will be necessary, including changes in social practices, better market accommodation for women, and inclusive legislation targeting the fundamental impediments women encounter in entering the labor sector. Security is a significant barrier that disproportionately impacts women; the Afghan government must address this issue in parallel with a policy aimed at FLFP. Another underlying barrier that stops women from entering the labor field is prevailing norms. Still, we believe that a targeted intervention, such as increased access to information can help overcome this barrier.

In Afghanistan, agriculture is the most important source of employment. Agriculture employs 60% of the workforce, which means that three out of every five workers rely on farm-related activities for their primary source of income. This percentage is more significant in rural areas, where agriculture employs about 70% of the workforce. Agriculture is mainly characterized by small family businesses that produce for subsistence half of the time and rarely generate enough resources to maintain households throughout the year. Surprisingly, more agricultural dependency is not always linked to higher poverty rates at the regional level. Still, home consumption/subsistence agriculture prevalence is often linked to a higher risk of poverty. Extremely high unemployment, combined with Afghanistan's informal employment and agriculture-based economy, offers only limited employment opportunities in urban areas hosting large numbers of IDPs, cross-border returnees, and other displaced people, especially in overcrowded cities like Herat, Kabul, and Jalalabad. This necessitates focusing employment-generation programs on producing value and opportunities in mostly agriculture-based value chains, wherever conditions permit.

Moreover, there is a significant urban-rural disparity in the Afghan labor market. When the picture is broken down by region of residency, interesting variations in labor market functioning appear. The urban labor market, in particular, has much lower participation and employment rates, owing to the decreased participation of women, youth, and the elderly. Besides, the highest unemployment rate in Afghanistan is due to the less FLFP, as females represent 48.3% of the entire population. Sectoral differences highly influence the 'quality of employment in skills and employment patterns. Earnings and stability are two of the most common criteria used to evaluate employment quality. Regardless of the sector of employment (farm versus non-farm) or place of residence (rural versus urban), daily labor emerges indisputably as the lowest quality kind of employment. Lower monthly earnings are reflected by a higher risk of poverty, particularly in metropolitan regions; half of the day laborers employed in cities live in poverty, consistently higher than the poverty rate of casual employees in rural areas. On the other end of the quality spectrum, non-farm salaried employment in

urban areas generates the highest returns, owing to the concentration of formal public employment in this category. The majority of the labor force's most educated sectors find steady employment. The Afghan government must develop and implement substantial and focused initiatives to create jobs. The government must encourage enterprises to invest in agriculture and mining by supporting the private sector. Afghanistan is a landlocked nation with vast undeveloped mineral deposits. The government can help enterprises and businesses invest in agricultural industries such as livestock farming, food production, processing, preservation, and the mining industry. The government may stimulate the private sector by lowering different sorts of taxes and charges, providing credit, security, and key infrastructure services to national and international small and medium enterprises and companies. Consider global corporations are persuaded to invest in Afghanistan with the promise of minimal risk and big payoff. In such situation, the government would have made a considerable contribution to the country's increased employment.. In addition, agriculture must be at the center of any growth strategy, including the lowest sections of the Afghan community. Agricultural expansion has long been acknowledged as a key tool for poverty reduction, particularly in nations where rural regions account for most of the (poor) population and where labour-intensive agriculture is heavily reliant. In Afghanistan, where rural areas account for 80% of the population and 84 percent of poverty, increasing agricultural output has the potential to influence the lives of around seven million Afghans directly, three-quarters of whom live in poverty.

Interestingly, the insecurity perception and conflict have no impact on the unemployment situation in Afghanistan. As we emphasized extensively with reference to our literature review; how insecurity and political instability negatively affect youth bulge and employment opportunities. Nevertheless, our research analysis shows that insecurity perception has no statistical significance or impact on the unemployment situation in Afghanistan. The rationale behind this interesting finding is that Afghanistan is a country ridden by four decades of war and conflict. The people in Afghanistan have grown up in the war and are accustomed to living their lives amidst the chaotic situation. Over the decades, the Afghan people have been resilient in times of crisis. They have mastered the art of coping strategies to earn and make ends meet even in times of political instability and lethal conflicts. Moreover, to capture the insecurity factor and its impact on unemployment; we have used the variable perception of insecurity, which can differ from region to region and individuals. Thus, some individuals might find their district safe, while others may find it insecure, and vice versa.

### **Limitations of the research:**

Afghanistan is mired by decades of conflict, and political instabilities, where conducting research on socio-economic issues is a strenuous, risky and expensive procedure. In the same way, conducting household surveys is challenging in the rural remote and insecure provinces due to cultural barriers, security threats and resource constraints. Therefore, there is a lack of data and research, and development in Afghanistan. This research paper also comes up with its fair share of limitations due to the context of Afghanistan. This research paper is directed towards one of the pressing socio-economic issues like unemployment and its grave consequences on the lives of general Afghan people and the economy as a whole. Therefore exploring the determinants of unemployment will pave the way for determining the root causes of this phenomenon and further explore options to curb it and create job opportunities. In this research paper, most of the emphasis is on the insecurity and youth bulge issues and their impact on unemployment. Our research didn't show any significant results between the insecurity and unemployment nexus for reasons explained in the discussion chapter. However, future researchers may enrich this paper more; along with the quantitative analysis, the qualitative studies (especially for insecurity variables) should have also been conducted to grasp the unemployment phenomena' complete picture.

While the unemployment-to-population ratio is essential for labor market strategies because it tells us how much of the working-age population is unemployed, but what about the quality of jobs or how much money they pay for employed people. Measuring underemployment by identifying people who work fewer than 40 hours a week, and are ready and willing to work more is one way to fill this information gap (time-related underemployment). However, unemployed people, particularly those who are underemployed, require appropriate employment to offer a substantial and long-term source of income. Therefore, future studies must be carried out to explore the determinants of underemployment, status in employment, and precarious job conditions in Afghanistan to provide decent work to the Afghan labor force.

## Chapter 8: Conclusion

Unemployment is defined by the International Labor Organization (ILO) as the number of economically active people who are jobless yet willing to seek for work. This encompasses both individuals who have lost their job and those who have voluntarily left their jobs. Afghanistan's second most serious problem, after insecurity, is unemployment. Unemployment is one of the top three national and community problems, and it has climbed since last year's survey. This reflects the country's escalating economic problems, along with widespread conflicts and a "youth bulge". After touching upon the plethora of negative implications of unemployment in Afghanistan, along with lethal insecurity threats and ever-growing young population cohort in chapter 2. Therefore, it is crucial to study the determinants and causes of unemployment in Afghanistan to provide recommendations to the government to curb unemployment. Therefore, this research paper is conducted with the sole objective of exploring the determinants of unemployment in Afghanistan.

In our data approach, we used the secondary dataset from the most recent nationally representative household survey, the IELF survey. The influence of demographic characteristics such as age, gender, marital status, educational attainment and level of education, sector-wise employment, insecurity perception, and NEET was initially considered in the data. Identifying the unique characteristics and limitations of the Afghan labor market is a crucial first step in establishing a job-creation strategy. However, the Afghan labor market is difficult to examine due to relevant data and studies. To determine the influence of insecurity and the youth bulge on Afghanistan's total labor market failure, we employed empirical formulae or logit regression models.

According to the preliminary results; it was concluded that

- Surprisingly, after trying many logit regression models to find the impact of insecurity perception and unemployment, the perception of instability and conflict has little bearing on Afghanistan's unemployment condition. On the other hand, insecurity and political instability have significant effects on youth bulge and job opportunities, as we discussed extensively in our literature review. Nonetheless, our findings reveal that insecurity perception has little statistical relevance or influence on Afghanistan's unemployment rate.
- Female participation in the labor force is alarmingly low, which increases the overall unemployment rate in Afghanistan. The Afghan workforce is predominantly male-dominated due to low female participation rates. Around seven out of every ten employees in Afghanistan are males, demonstrating considerable gender differences in labor force participation.
- Another cause of unemployment is the literacy rates among Afghans of working age, particularly adults and women, are extremely low. Poor literacy and education levels obstruct labor market functioning, lowering overall productivity and limiting intra-sectoral mobility.
- Young daily wage labor and informal sector employment characterize Afghanistan's labor market, with few job opportunities for youngsters. However, a young and fast-growing workforce depicts the Afghan labor market.
- The Afghan labor market crisis is exacerbated by a large youth bulge and an army of young people not in employment, education, or training (NEET).
- Furthermore, the Afghan labor market has a substantial urban-rural divide. When the image is split by residence region, it reveals some intriguing differences in labor market functioning. Because of the lower participation and employment rates of women,

youths, and the elderly in the urban labor market have substantially lower participation and employment rate.

- There are substantial sectoral differences in Afghanistan, as 60% of the employed population is engaged in agriculture. Therefore, to generate employment, the government needs to invest and create jobs in other sectors to lighten the extra burden of employment in the agriculture sector.

Moreover, Afghanistan's future in terms of development and peace is intrinsically connected to the country's capacity to sustain growth and assure inclusiveness through more and better employment opportunities. As a result, the link between work and "political stability," a cornerstone of Afghan employment initiatives, has failed to deliver long-term results. In a nutshell, rather than incoherent actions, a holistic approach to creating more sustainable jobs should be pursued through integrated and consistent policies and programs. Furthermore, because long-term viability is a critical component of any employment strategy, it is vital to design programs, strategies, and instruments that foster ownership among employers and workers through social discourse. For realistic market-driven employment and capacity-building initiatives. The government must strengthen its linkages with the labor market. As a result, higher priority should be given to: 1) longer-term employment interventions that address institutional capacity building through technical and financial support (e.g., Employment Service Centres – ESCs); 2) the informal economy, which includes agriculture, microenterprises, and other self-employment activities; and ii) making both public and private higher educational institutions more market responsive to the economy's manpower needs.

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