

Pakistan's Talent Gap: A Barrier to Economic Growth



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A situation where the market supply of talent lags behind market demand is referred to as talent scarcity or shortage. It is a global issue and the most challenging problem for employers during hiring.

“Right person for the right job”

When we talk about Pakistan, one of the most challenging obstacles is the chronic talent shortage, which is continuously hampering the country's economic growth. It is not just that there are not any jobs available; there are jobs, but there are not enough competent individuals to fill them. Unfortunately, all sectors are grappling with this issue.

That 2.7% GDP growth might not seem earth-shattering, but given the complex economic pressures Pakistan has been under—rising inflation, currency challenges, and tough global conditions—it signals a bit of resilience. It is like the economy is treading water—not exactly sprinting ahead, but not sinking either.

This kind of slow, steady uptick suggests the government's policies may be stabilizing key sectors, but probably not yet delivering the kind of transformation that many Pakistanis are hoping for.

The growth rate is not good enough, considering we have such a young population, with most people under 30 years old.

Pakistan faces a significant unemployment challenge at 6.3 percent, particularly impacting the youth aged 15–35, according to Budget 2025–26. Pakistan stands as the 6th largest workforce globally, with a considerable domestic labor force of 71.8 million. – *June 11, 2025, DAWN*

Unemployment continues to be a multifaceted problem, and the rate of joblessness among youth is especially concerning, with 44.9% of job seekers aged 15 to 24. The unemployment rate for females significantly surpasses that of males, according to the budget document.

Concern Areas

1) Industry and Academia Gap

There is a gap between academia and industry, and our academia is unaware of industrial requirements. Pakistan produces approximately half a million graduates per year. The unemployment rate of fresh graduates is hovering around 31%, and even higher among female graduates. The education-to-employment pipeline reveals a critical gap (*January 1, 2025, Business Recorder*).

It shows an extensive gulf between the requirements of the industry and the available knowledge and skills at the academic level. This gulf in the educational system is leaving graduates ill-prepared for industry; this, in turn, causes a lag in innovation and research work in the country. Let us take the case of IT. The Industry-Academia Skills Gap Report 2022 by P@SHA indicated that less than 10% of students are aware of the industry's expectations, which paints a picture of a serious misalignment between academic curricula and the IT industry. The report suggested responsive efforts to minimize this vacuum by fostering industry-academia collaboration. This report was a wake-up call, because if students are unaware of the industry's needs, how can they be expected to meet those expectations?

2) Business Sustainable Growth

One of the key drivers in business growth is skilled professionals, who significantly affect the performance of businesses. If they are not available, businesses will not be able to take full advantage of opportunities. As business expands, the demand for talent increases. Skilled human resources are the real contributors who drive growth, innovation, improve effectiveness, and enhance the productivity of any business.

In Pakistan, a serious mismatch prevails between the jobs demanded and the supply of skilled manpower. Pakistan is grappling with this issue in every sector, including engineering, agriculture, healthcare, education, and emerging fields like IT and finance. Especially in technical sectors, the lack of local talent forces companies to outsource expensive expertise.

There was a time in Pakistan when the construction sector was booming, and there was an acute shortage of mid-level technical workers, which created delays in project completion and increased costs. It signifies the need for skill development programs and technical vocational programs. According to a blog by The University of Faisalabad, to train skilled people, Pakistan has only 540 vocational institutes that provide mid-level technical education, and most of these institutes are inadequately equipped to impart relevant skills.

“Hiring the right talent in Pakistan is one of the biggest challenges businesses face today. With years of insight into the local job market and hiring trends, it is clear that finding skilled, reliable employees is not easy. From a shortage of qualified candidates to interview no-shows and delayed hiring processes — these problems can seriously affect productivity and business growth.” – (April 10, 2025, HR Business Solution).

The lack of a continuous professional training culture is also prevalent, which needs to be addressed, as it enhances knowledge, skills, and attitude in the relevant domain. Although there are organizations in different sectors working in this domain, it is not sufficient to cater to the demand.

To ensure high economic growth, Pakistan needs healthy, resilient, and talented human resources for more productive outcomes in every sector of the country, whether it is IT, banking and financial institutions, textiles, agriculture, etc.

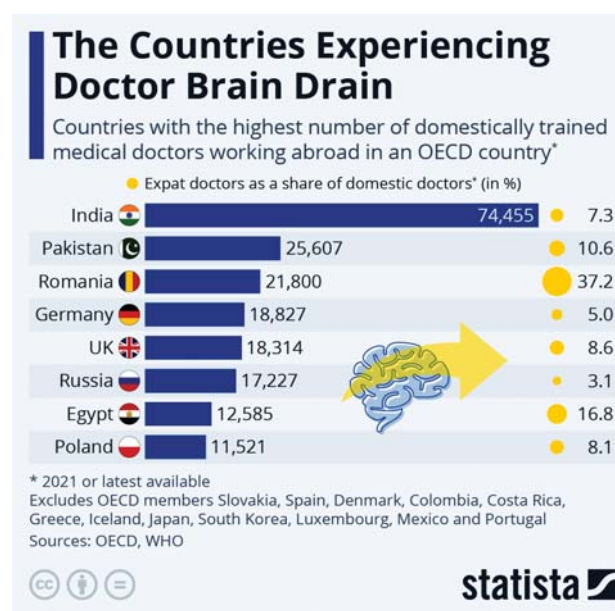
3) Brain Drain

Pakistan is a developing country, and generally, developing countries face the challenge of “brain drain”—the migration of highly trained or skilled professionals due to push and pull factors. Citizens face a subpar standard of living, and talented human capital receives non-competitive wages, which prompts them to migrate.

A case in point is doctors. Brain drain among doctors in Pakistan is an extremely critical issue, driven by various factors like low

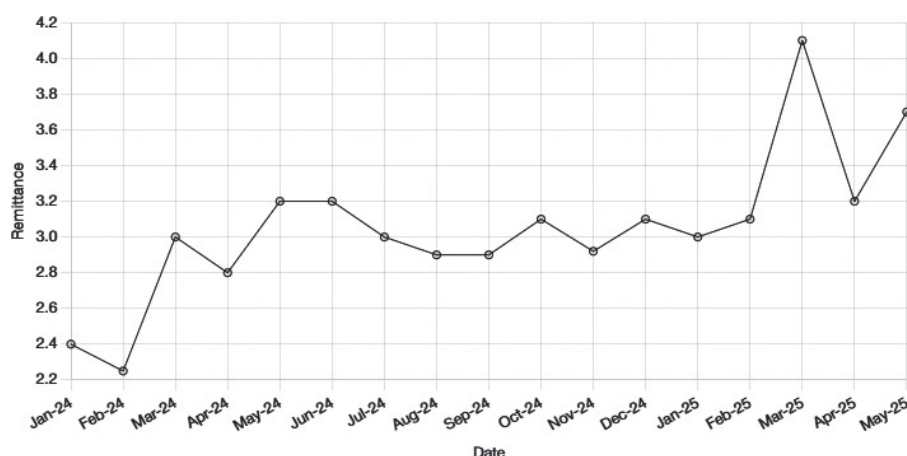
perks, low salaries, poor working conditions, and lack of career growth opportunities. This withdrawal impacts the quality of the healthcare sector, particularly in rural areas, and hinders national development.

April 15, 2023, South Asia Investor quoted an incident when two doctors, Dr. Najam and Dr. Mukherjee, responded to an emergency when US Ambassador Richard Holbrooke suffered a massive heart attack in 2010. Dr. Najam, a graduate of King Edward Medical College in Lahore, was the chief heart surgeon at George Washington University Hospital at the time, and Dr. Monica Mukherjee, a junior cardiologist at the hospital, assisted in the operating theater.



The migration results in the receipt of remittances, which also helps in addressing the current account deficit. The inflow of overseas workers' remittances into Pakistan stood at \$3.7 billion in May 2025, according to data from the State Bank of Pakistan (SBP) released.

Remittance inflow since Jan 2024



Remittances increased by 13.7% year-over-year, compared to \$3.24 billion recorded in the same month last year. On a monthly basis, remittances were up 16%, compared to \$3.18 billion in April. – (June 11, 2025, *Business Recorder*)

Despite the fact that Pakistan benefits from a substantial inflow of remittances, does this factor truly override the importance of real economic development? If the same talented human capital were utilized within Pakistan, it would help maximize the economy's potential.

Strategic Responses to Talent Shortage

To overcome this decline and regenerate the talent pool, Pakistan needs an integrated approach to capacity building, involving academia, professional institutions, industry, and the government.

- **Updating university curricula in alignment with industry** is one of the utmost needs. The amalgamation of real-world application through collaboration between universities and industries can facilitate the co-creation of courses and programs that ensure industrial needs are addressed. Upgrading teachers' knowledge and training is also crucial, as they are the real deliverers in classrooms.
- **Incentivizing businesses to invest in in-house training for employees** will offer numerous benefits in terms of increased productivity, enhanced skills and knowledge, and reduced turnover.
- **Reviving Technical and Vocational Education and Training (TVET)** in Pakistan holds significant potential. This includes providing infrastructure, financial support with accountability, and fostering it through public-private partnerships.
- **Constructive upskilling of the existing workforce** in Pakistan can be achieved by identifying skill gaps in every sector, providing relevant and targeted training, stimulating continuous professional development, and delivering essential digital and

technological skills such as data analytics, AI, and fintech.

- **Completely curbing brain drain may not be feasible**, but strategically reducing it can convert the trend into brain gain by enhancing standards of living, providing competitive salary packages with lower taxes, improving economic opportunities, and addressing security concerns.

Conclusion

Pakistan is at a crossroads, and the course it takes today will influence future generations of our nation. Indeed, there are several obstacles to overcome, including a declining pool of skilled workers, lost opportunities, and industries that are finding it difficult to stay afloat. However, there is also a glimmer of optimism. If we can bring education, business, and policy into harmony—if we invest in people just as much as we invest in progress—then the rewards will ripple far beyond today.

This is not just a call for reform. It is a call for belief—in our youth, in our educators, in our entrepreneurs, and in the idea that Pakistan does not have to follow the curve; it can lead it. It will take commitment from every corner of society and each sector, but together, we can make sure that the next chapter is not about catching up—it is about surging ahead.

About the Authors: Author: Abbas Raza Varayla has over 20 years of expertise in trade, credit and Islamic Finance making him a senior banking specialist. He holds several industry certifications. He also serves as an Honorary Secretary at Al-Sadiq (a.s) Institute of Islamic Banking Finance and Takaful, actively promoting Islamic Finance education

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