

## Youth Unemployment in Bhutan: A Review

Jigme\*

### Abstract

*Bhutan has maintained strong socio-economic development over the years, but this has not resulted in widespread job creation. According to labour market data, the actual number of job vacancies exceeds the number of registered job seekers, but there is a higher rate of youth unemployment among its economically active population, which has been the trend over the years. Given its small population size, it is a matter of concern. As a result, in order to understand the root causes of youth unemployment in Bhutan, the current study examined the causes of youth unemployment by reviewing national and international reports, as well as articles published in credible journals by local and international researchers. The findings of the study suggest that the most important reason for youth unemployment in Bhutan is a lack of education and skills, followed by a skills-job mismatch, a lack of work experience, an underdeveloped private sector, and youth preferences for civil service. The study recommends that the government and policymakers re-evaluate and assess our current tertiary education system in order to reorient it to the world of work. The government should continue to promote private sector development as the true engine of growth and job creation. Assessing and imparting skills demand in the labour market in institutions and colleges, promoting entrepreneurship for self-employment, making agriculture an appealing and sustainable sector, and improving the attractiveness of Technical and Vocational Education and Training (TVET) can all help to reduce youth unemployment in the country.*

**Keywords:** Employment, Entrepreneurship, Job preference, Private sectors, Skills, Work experience

---

\* Researcher, Centre for Bhutan & GNH Studies, Thimphu. Corresponding email: jigme011@gmail.com

## **Introduction**

In Bhutan, real socioeconomic development started in the early 1960s with the introduction of the first Five Year Plan (FYP) by the Third King, Jigme Dorji Wangchuck. In the period before that, there was no issue of unemployment in the country as the country was agrarian and dependent on farming (Wangmo, 2012). Everyone worked on farms, a new-born in the family meant a new helping hand and resource on the farm (Kinga, 2005). However, unemployment came to be understood in the context of modern socioeconomic development in Bhutan. With the introduction of modern education, young children were encouraged to enrol in school. With time, the enrolment in the schools increased leading to an increase in the number of young graduates entering the labour market and a rise in the youth unemployment rate (Wangmo, 2012).

Youth unemployment has become one of the major problems in the world including both developed and developing countries. Youth unemployment is more serious in developing countries due to the incidence of high poverty (Alawad et al., 2020). According to Ayhan (2016) and Bayrak and Tatli (2018), the youth unemployment rate is approximately three times bigger than the adult one, 4 out of every 10 unemployed persons globally are young people. Youth unemployment has become a serious threat to the economy because young people are a key resource for economic growth (Aceleanu et al., 2015). They form future workers, entrepreneurs, consumers and producers (Ayhan, 2016).

Over the last two decades, Bhutan has witnessed a rise in the unemployment rate from 1.4 percent in 1998 to 5.0 percent in 2020. Amongst this, youth unemployment constitutes 41.5 percent of the total unemployed population (National Statistics Bureau [NSB], 2020b). The youth unemployment situation in Bhutan is particularly worrying considering the small population size, economic situation and youth being highly educated. According to the Population and Housing Census of Bhutan 2017, in Bhutan, out of 488,336 working-age population, 112,763 are youth (age 15-24). Youth form 23.1 percent of the working-age population (NSB, 2020b). It is a matter

of concern because the youth population constitutes about 20 percent of today's population (NSB, 2017).

According to the Labour Force Survey (LFS) report of Bhutan 2020, the youth unemployment rate reached 22.6 percent, which is almost double from 11.9 percent in 2019. There are 6,922 unemployed youth who are without work, actively seeking work. A huge rise in the youth unemployment rate in 2020 was due to the COVID-19 pandemic. The COVID-19 pandemic has greatly reduced the employment opportunities for those unemployed since the business and service sectors remained closed. This was further aggravated by the overseas returnees and those laid-off employees by the affected sectors, especially the tourism and hospitality industry (NSB, 2020b).

It is important to note that the government of Bhutan has come up with several strategic plans and initiatives to tackle the problem of youth unemployment. For example, the government has developed an Online Job Portal System to help applicants find jobs and aids employers to locate ideal candidates for the job, Technical and Vocational Education and Training (TEVT) aimed at training the youths to gain adequate vocational skills, Youth Engagement and Livelihood Program (YELP) to both employer and job seekers by providing a monthly allowance of Nu. 5000 to individuals recruited by employers under YELP, Critical Skills Training (CST) to provide different skills training to job seekers interested to learn skills as a means to employment, Entrepreneurship Development Program or (EDP) to support individuals interested in setting up their own small business, Bhutanese Overseas Employment to facilitate Bhutanese overseas employment opportunities, Skills Development Plan (SDP) for skills training and development for the laid-off employees due to the COVID-19 pandemic and overseas returnee with registered jobseekers, and Build Bhutan Project (BBP) to address unemployment and lay off employees by filling the gap in the construction sector due to COVID-19 pandemic. All these efforts notwithstanding, the problem of high youth unemployment has surprisingly persisted in the country.

There are various research articles and government reports published regarding the youth; their employment and its causes, consequences

and so on. With time, there have been changes in the scenario of the labour market and there are certain significant changes that occurred over a period of time. Therefore, the main objective of the present study is to analyse the factors that lead to persistent youth unemployment in Bhutan by analysing the information from various literature from Bhutan and around the world and identify the various possible factors associated with youth unemployment in Bhutan. This information on the cause of youth unemployment is critical to the government and policymakers for understanding the source of the problem addressing the problem. This analysis is envisaged to contribute to the existing literature in the field as well as to improve policy designs for the benefit of the youth and the country as a whole.

## **Literature Review**

### *Definition of Youth and Youth Unemployment*

There are several definitions of “youth” in the research literature. For example, in the United States and the United Kingdom youth is defined as those aged between 16-24 in whereas the International Labour Organisation (ILO) and European countries define the youth as consisting of people aged between 15-24 years (Bayrak & Tatli, 2018). Similarly, the NSB of Bhutan defined youth as people aged between 15-24 years (NSB, 2020b). On the other hand, the European Union Statistical Institute describes the youth labour force as workers aged between 15-29 years (Bayrak & Tatli, 2018). Youth unemployment is defined as the proportion of young people aged 15-24 years old who do not have a job or are unemployed but are available for employment (Bayrak & Tatli, 2018; NSB, 2020b). However, the current study considered youth as people aged between 15-24 years as per the definition given by the ILO and NSB.

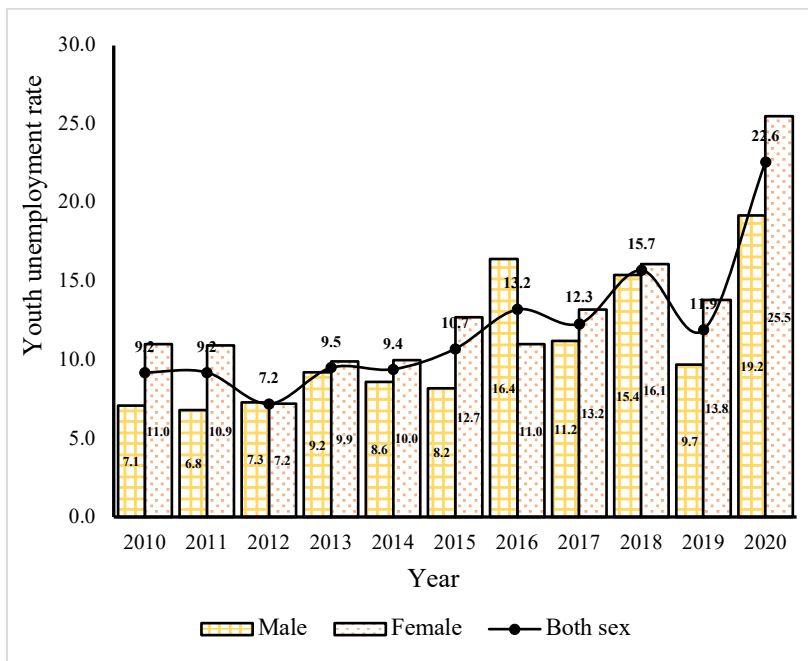
### *Youth Unemployment Trends in Bhutan*

Bhutan is facing the biggest challenges of youth unemployment due to the large number of youths graduating from various colleges and universities in and outside the country. Over the last decade, the youth unemployment rates in Bhutan have remained consistently high. According to the LFS report 2010-2020, youth unemployment has

increased from 9.2 percent in 2010 to an all-time high of 22.6 percent in 2020. The youth unemployment rate at 22.6 percent in 2020 is almost double from 11.9 percent in 2019 and it is the highest to date. A huge rise in youth unemployment is due to the COVID-19 pandemic that has profoundly affected employment everywhere. It has greatly reduced the employment opportunities since the business and service sectors remained closed. The tourism and hospitality sectors which are one of the highest employment generation sectors were the worst hit by the pandemic and they are also closed. This was further aggravated by the overseas returnees and laid-off employees by the affected sectors (NSB, 2020b).

**Figure 1**

*Youth Unemployment Rate*



*Source: Labour Force Survey, 2010-2020.*

Over the last ten years, the youth unemployment rate has been fluctuating with the highest rate observed in 2020 (22.6%) and lowest in 2012 (7.2%). The female youth unemployment rate has been dominating over the years (figure 1). In 2020, the youth unemployment rate for males (19.2%) is lower than for females (25.4%). According to the LFS report 2020, there is a difference in the youth unemployment rate in urban and rural areas. The youth unemployment rate in urban areas (33.3%) is double that of rural areas (15.1%).

According to Okun's law of economics, "as the economy grows, the rate of employment will increase. A growing economy will therefore create employment" (Bayrak & Tatli, 2018). However, in Bhutan, the economic growth has not significantly contributed to employment and unemployment has increased. Similarly, Tenzin (2019) reported that economic growth had no impact on the reduction of unemployment rates in Bhutan. Therefore, the reason for the strong economic growth not supporting the reduction of unemployment rates is due to the significant portion of the growth contribution from the non-labour-intensive sector and the slow growth of the high labour-intensive sectors (NSB, 2019).

NSB (2019), stated that the labour-intensive sector such as the agriculture sector which provides the largest employment (43.3%) in the overall workforce including the youth in the country, only grew by an average of 2.9 percent annually during the last decade and similarly, the industry sector grew by 4.8 percent and employed about 18.5 percent of the youth. On the other hand, the non-labour-intensive sector such as, service sector, which provided over 38.1 percent of employment to young people, recorded growth at 8.41 percent annually. They also stated that despite the rapid growth of the construction sector, the employment generated within the sector has been largely taken up by foreign workers. Because the Bhutanese youth don't choose to work in the construction sector due to the nature of the work which is generally very physical and laborious. Furthermore, according to the LFS report 2019, the manufacturing sector which employs more than 9 percent of the country's youth workforce managed to record an annual average growth of 7.1 percent during the same period. In contrast, electricity, which accounts for

11.9 percent of GDP, recorded an annual average growth of 5.9 percent but employs merely about 1 percent of the youth labour force (NSB, 2019).

#### *Determinants of Youth Unemployment*

What causes youth unemployment has been a major concern to policymakers and scholars. Therefore, many empirical studies on the determinants of youth unemployment have been undertaken and several causes have been identified as the main factors influencing youth unemployment. In general, there are various factors explaining unemployment, such as a low level of general economic activity, inflation, recession, disability, rapid changes in technology, discrimination and willingness to work (Alawad et al., 2020).

According to (Mryyan, 2014), the persistence of high youth unemployment can be explained by the three structural problems. First, the mismatch between education outputs and the labour market's skills causes high unemployment among university graduates. Second, the inability of both the private and public sectors to absorb new market labour entrants. Third, lacking access to and quality national programs enables a smooth school-to-work transition, including vocational training and career guidance (Alawad et al., 2020).

According to NSB (2020a), one of the factors affecting youth unemployment is the demographic transformations such as changes in the age structure of the population, among others, affecting the situation of youth labour markets. An increase in the number of young people in the labour market would have an adverse impact on the rate of youth unemployment. The other demographic factors such as gender also have a significant effect on youth unemployment. Egessa et al. (2021) stated that women have a higher probability of being unemployed because their occupational choices are more restricted than men's, perhaps due to domestic responsibilities. This results in women confining their job search to a more distinct geographical area and a narrower range of hours and thus restricting the range of possible jobs. Egessa et al. (2021) suggested that factors such as lack of skill development, lack of non-agricultural empowerment, inaccessibility to financial resources and marginalization in business

ownership could be some of the serious catalysts of female youth unemployment. The gender factor, as a plausible explanation for youth unemployment further appears common in several studies such as Alawad et al. (2020), Axelrad et al. (2018), Egessa et al. (2021), NSB (2020a) and Shakur et al. (2020).

The other factors identified from the existing literature such as education attainment (Alawad et al., 2020; Axelrad et al., 2018; Egessa et al., 2021; Mizintseva et al., 2017; NSB, 2018, 2020a; Pop et al., 2019; Shakur et al., 2020; Thomas et al., 2016; Yangchen, 2017), lack of work experience (Axelrad et al., 2018; Cloete, 2015; Galadima, 2014; Görlich et al., 2013; ILO, 2011; Mizintseva et al., 2017; NSB, 2020a; Shakur et al., 2020; Yangchen, 2017), lack of skills (Axelrad et al., 2018; Galadima, 2014; ILO, 2011; Mizintseva et al., 2017; NSB, 2020a; Shakur et al., 2020; Singh & Raj, 2019; Thomas et al., 2016), shortage of jobs (Mizintseva et al., 2017; Singh & Raj, 2019), illness or disability (Egessa et al., 2021; NSB, 2020a), qualification and job mismatch (Singh & Raj, 2019; Thomas et al., 2016), rise of youth population (Galadima, 2014; Görlich et al., 2013; Imtiaz et al., 2020; O'Higgins, 2015; Singh & Raj, 2019; Wangmo, 2012), skills and job mismatch (Ayhan, 2016; Görlich et al., 2013; ILO, 2011; Wangmo, 2012; Yangchen, 2017), rural-urban migration (NSB, 2020a; Uddin & Uddin, 2013; Wangmo, 2012; Yangchen, 2017), job preference (NSB, 2020a; Thomas et al., 2016; Wangmo, 2012), lack of access to capital (ILO, 2011; Imtiaz et al., 2020; Singh & Raj, 2019; Thomas et al., 2016; Yangchen, 2017), lack of information about the labour market (Ayhan, 2016; Galadima, 2014; Mizintseva et al., 2017; Singh & Raj, 2019; Yangchen, 2017), under-developed private sector (Galadima, 2014; Thomas et al., 2016; Yangchen, 2017), backwardness of agriculture sector (Imtiaz et al., 2020; Yangchen, 2017), lack of capital intensive economic growth (Singh & Raj, 2019; Yangchen, 2017), residence location (Alawad et al., 2020; Egessa et al., 2021; NSB, 2020a; Shakur et al., 2020), presence of expatriate workers (Wangmo, 2012; Yangchen, 2017), low wages (Mizintseva et al., 2017; Thomas et al., 2016), family background (Alawad et al., 2020; Shakur et al., 2020) and family commitments (Alawad et al., 2020; Axelrad et al., 2018; Shakur et al., 2020; Yangchen, 2017) as critical in the analysis of youth unemployment.



### *Implications of Youth Unemployment*

Youth unemployment is one of the most important economic and social issues in any country, and this phenomenon is increasing especially in developing countries (Alawad et al., 2020). The increasing unemployment leads to serious situations where an individual can't find a living to meet his/her basic needs and this will drive them to cause harm for themselves and to the society in which they are living. Caliendo and Schmidl (2016) stated that joblessness is directly associated with psychological distress and financial hardship for the affected youth. They also suggested that early unemployment spells may have negative effects on later-life outcomes such as lower wages, lower well-being and a higher propensity to engage in criminal activities. Similarly, Cloete (2015) added that youth do not have sources of support other than their families and mostly they turn to crime and anti-social behaviour.

The unemployed youth may have diverse experiences and feelings such as low self-esteem, feeling of uselessness and a sense that life may be meaningless. Therefore, Wangmo (2012) and Egessa et al. (2021) highlighted that youth unemployment can lead to the emergence of forced prostitution (commercial sex work) and increasing cases of drug addiction which leads to the rise of incidences like teenage pregnancies, suicides, thefts and many others. Unemployment is not only associated with social problems but also associated with economic problems like high dependency ratio, poverty and erosion of human capital leading to the slow growth of the economy (Cloete, 2015).

## **Methodology**

### *Research Method*

This study is a review and analysis of literature relevant to youth unemployment in Bhutan and the world from the published reports by the relevant international and national organisations. The data obtained from these literatures were analysed using content analysis.

*Data Source*

The data for this study were obtained from the LFS report from 2010 to 2020 published by the Ministry of Labour and Human Resources (MoLHR) and the NSB, analysis of previous research and journal articles that are related to the subject of study. As per this literature, several variables have been identified as the main factors influencing youth unemployment, but only the relevant variables are considered for the study such as educational attainment, lack of work experience, lack of skills, shortage of jobs, illness or disability, qualification and job mismatch, the rise of the youth population, skills and job mismatch, rural-urban migration, job preference, lack of access to capital, lack of information about the labour market, underdeveloped private sector, backwardness of the agriculture sector, lack of capital intensive economic growth, residence location, presence of expatriate workers, low wages, family background and family commitments.

*Data Analysis*

To identify the causes of youth unemployment globally and then relate to the Bhutanese context, quantitative content analysis is done by basing on secondary sources, by reviewing the literature, reports, and current relevant publications on the causes of youth unemployment. These qualitative data from these articles were analysed using content analysis. The content of the articles, including both research and news articles, was coded using an open coding approach in Microsoft Excel 2019 and Microsoft Word 2019. The codes obtained from the articles were combined to form patterns (axial coding). Similar codes were grouped into categories, and the categories were then grounded together to form a theme. Initially, the data was coded into 106 codes and then these codes are grounded into 19 broad themes as shown in Table 1.

**Table 1**

*Category of Themes Drawn from Review of Literature on the Factors Related to Youth Unemployment in Bhutan*

Code No.	Codes	Group/
01	Education attainment	Education attainment
0101	Lack of qualification	
0102	Low qualification	
0103	Lack of adequate qualification	
0104	Under qualified	
0105	Lack of appropriate qualification	
0106	Low education	
0107	Low educational attainment	
0108	Low education level	
0109	Lack of education	
0110	Lack of proper education	
0111	No education	
0112	Low standard of education	
0113	Lack of education	
02	Lack of work experience	Lack of work experience
0201	Lack of experience	
0202	No experience	
0203	Lack of working experience	
0204	Inadequate work experience	
0205	Lack of work experience	
0206	Less job-specific experience	
03	Lack of skills	Lack of skills
0301	Lack of skills	
0302	No appropriate skills	
0303	No skills required for the job	
0304	Recently completed studies	
0305	Recently completed studies	
0306	School to work transition	
0307	Lack of employable skills	
0308	Lack of training	
0309	Lack of training centres	
0310	Lack of digital skills	
0311	Inadequate training	
0312	Lack of vocational education	
04	Shortage of jobs	Shortage of jobs
0401	No suitable job is available	

# *Youth Unemployment in Bhutan*

	0402	Shortage of Jobs	
	0403	No job opportunities are available	
	0404	Insufficient employment creation	
05		Health of the youth	
	0501	Not healthy	Health of the youth
	0502	Illness	
	0503	Disability	
	0504	Sickness	
06		Rise of youth population	
	0601	Increasing enrolment in the	Rise of youth population
	0602	Rapid population growth	
	0603	Increase in the labour force	
	0604	Rapid growth of population	
	0605	Rapid growth of labour force	
	0606	Size of the labour force	
	0607	Rising youth population	
	0608	Overpopulation	
	0609	Increasing number of graduates enters the	
07		Skills-job mismatch	
	0701	Irrelevant skills	Skills-job mismatch
	0702	Mismatch of jobs and skills	
	0703	Mismatch between skills and labour	
	0704	Skills mismatch	
	0705	Mismatch between the demand and	
	0706	Qualification does not match with the job	
	0707	Qualification mismatch	
	0708	Irrelevant education	
	0709	Curriculum mismatch	
	0710	Inappropriate educational system	
	0711	Purely academic education	
	0712	Education system is not oriented to the job	
08		Rural-urban migration	
	0801	Youth migrating to urban centres for the	Rural-urban migration
	0802	Rural-urban migration	
	0803	Migration	
09		Job preference	
	0901	Least preference to private sector	Job preference
	0902	Job preference for white-collar jobs	
	0903	Preference for civil service	
10		Lack of access to capital	
	1001	Lack of start-up capital	Lack of access to capital
	1002	Lack of Entrepreneurship	

003	Inadequate credit facilities	
1004	Lack of investment	
1005	Macroeconomic and business	
1006	Lack of access to capital	
1007	Financial crisis	
1008	Lack of access to business networks	
11	Lack of labour market information	
1101	Lack of information	
1102	Unawareness of Opportunities	Lack of labour
1103	Unaware of labour dynamics &	market
1104	Lack of awareness	information
1105	Inaccessibility of information on vacancies	
1106	Lack of information about the labour	
12	Under-developed private sector	
1201	Less private sector companies	Under-developed
1202	Under-developed private sector	private sector
1203	Lack of industries/factories	
13	Backwardness of agriculture sector	
1301	Non-attractive agricultural sectors	Backwardness of
1302	Backwardness of agriculture sector	agriculture sector
14	Lack of capital-intensive economic growth	Lack of capital-
1401	Lack of capital-intensive projects	intensive
1402	Capital intensive economic growth	economic growth
15	Residence location	
1501	Location of residence	Residence
1502	Location of the residence	location
1503	Location	
16	Presence of expatriate workers	Presence of
1601	Presence of foreign workers	expatriate
1602	More Expatriate workers in the	workers
17	Low wages	
1701	Low salary	Low wages
1702	Low wages	
1703	Low wage for youth	
18	Family background	
1801	Father's educational level	Family
1802	Family Background	background
19	Family obligations	
1901	Family duties	Family
1902	Family commitments	obligations
1903	Family and marriage	
1904	Family obligations	

1905	Marital Status
1906	Children

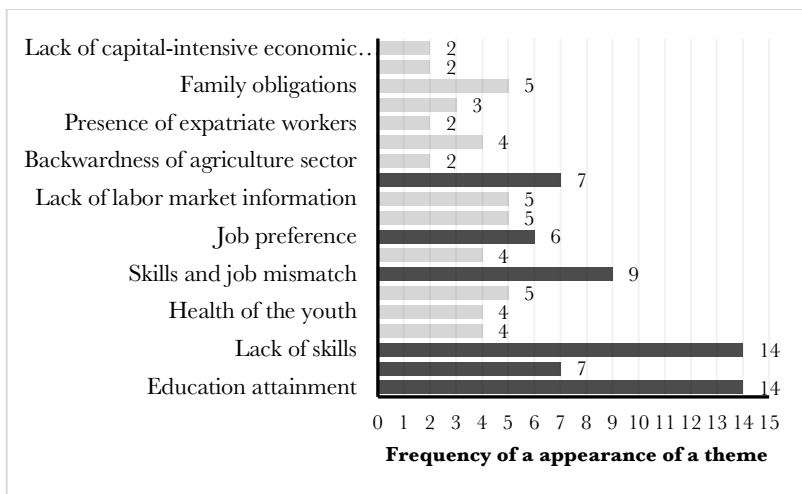
## Results and Discussion

### *Causes of Youth Unemployment*

There were 19 relevant causes of youth unemployment identified in Bhutan. The frequency of appearance of a particular theme in a literature was calculated. As shown in Figure 2, only the causes/themes with higher frequencies (frequency greater than 5) are considered for the study. Six of the 19 different causes have a frequency greater than 5 ( $f > 5$ ); (i) Education attainment, (ii) lack of experience, (iii) lack of skills, (iv) skills-job mismatch, (v) job preference, (vi) underdeveloped private sectors, these causes are considered major causes of youth unemployment in Bhutan. Education attainment and lack of skills are the foremost common and most important of those six causes of youth unemployment.

**Figure 2**

*Causes of Youth Unemployment in Bhutan Identified from the Literature*



*Education Attainment/Qualification*

Education remains the foremost effective weapon against unemployment. The probabilities of youth with the right qualification being employed are theoretically higher compared to the youth with low qualification. Because it provides children with the right skills and attitudes to organise them for the world of work (Gontkovičová et al., 2015). Qualification not only plays a crucial role in finding employment but also has the ability to make employment. Therefore, the higher the qualification, the higher the probability of them finding employment. In other words, as qualification rises, the probability of being unemployed decreases.

However, the analysis of the LFS report of Bhutan from 2012 to 2021 revealed that youth unemployment percentage increases with a rise in qualification as shown in Table 2. The highest youth unemployment percentage was observed within the youth with a middle and higher secondary education (53.8%) followed by bachelor's degree (30.0%), primary and lower education (10.3%), no education (3.2%), non-formal education (NFE) and monastic Education with 0.2 percent respectively. Youth unemployment differs with reference to his/her educational attainment and youth with higher education qualification is more likely to stay unemployed.

A study conducted by NSB (2020a) and Tangtipongkul and Wangmo (2017) found that youth with a bachelor's degree and above are more likely to stay unemployed compared to youth with higher secondary education. However, the present study shows that the youth unemployment percentage for the previous couple of years is higher for lower secondary and higher secondary education (53.8%) as compared to youth with bachelor's degrees (30.0%). These findings indicate that the higher youth unemployment problems are skewed towards the more educated youth population. Similar findings were also reported by Egessa et al. (2021) in Uganda and Qayyum (2007) in Pakistan. They acknowledged that youths who attended post-secondary education are found more likely to be unemployed compared to those with no education.

## *Youth Unemployment in Bhutan*

**Table 2**

*Youth Unemployment Rate by Education Attainment*

Qualification level	Youth Unemployment Rate (YUR) in percent									Average YUR
	2012	2013	2014	2015	2016	2017	2018	2019	2020	
None	12.9	3.8	3.7	1.5	1.1	1.9	2.2	0.9	0.9	3.2
NFE	1.4	0.0	0.0	0.3	NA	0.0	0.0	0.0	0.4	0.2
Monastic Education	0.0	0.0	0.0	0.0	NA	0.0	0.5	0.3	1.1	0.2
Primary & Lower secondary	17.9	17.2	13.6	7.2	3.0	7.6	11.9	8.8	5.1	10.3
Middle & Higher Secondary	58.1	45.0	57.4	59.8	21.3	67.0	66.4	46.5	62.9	53.8
Bachelor's Degree	9.5	33.0	25.2	31.0	67.2	23.4	19.0	38.6	23.0	30.0
Masters and above	0.0	0.9	0.0	0.3	0.0	0.0	0.0	0.0	0.1	0.1

*Source: Sourced from Labour Force Survey 2012-2020. NA=Not Available.*

The high youth unemployment rate persists among the highly educated youth because, in Bhutan, the higher education system is highly oriented to core academic knowledge and builds human capital without considering the overall pattern of jobs and demand in the market. It encourages memorization in order to advance through the grades and rarely tests for logical and analytical thinking, creativity and imagination (Rapten, 2014). Even though Bhutan has made significant progress in terms of improving general literacy rates and net school enrolment rates, it has failed to prepare our youth for the world of work. Because of this faulty education system, despite having a university degree, young people entering the labour market lack creativity, analytical thinking, work ethics, unrealistic career/job expectations, interpersonal skills, and commitment to the work. Therefore, our youth are not equipped with the right skills and attitude for the job.

However, the youth unemployment rate decreases with the decrease in the qualification level because youth having lower qualifications especially no formal education and primary and secondary education accepts the jobs offering below subsistence level wages and has less preference over jobs. They take up any kind of jobs available in the



market. However, youth with higher qualifications are reluctant to take up jobs having low wages and jobs which require physical labour. Because according to Qayyum (2007), as soon as an individual is getting indulged in more and more years of education his opportunity cost rises and his willingness to compromise with low wages diminishes. Therefore, high youth unemployment persists among educated youth and low among those with no formal education.

#### *Lack of Skills*

The acquisition of appropriate skills by youth is negatively associated with youth unemployment. These findings are consistent with the empirical findings reported by Tantipongkul and Wangmo (2017). The higher the skills, the lesser the chance of being unemployed. If the youth possess the right skills, then the chances of employability increase. Employers prefer skilled employees over unskilled employees in the market. According to the LFS 2020, approximately 3.5 percent of the youth are unemployed due to a lack of skills. The current education system, particularly the tertiary education system, does not provide the necessary skills for youth to be hired by employers. As a result, young graduates receive additional skill training in order to be equipped with the skills required by the market.

Despite the fact that technical training institutes have been established in the country under the MoLHR to generate skilled labour, which appears to be a perfect antidote to the problems of replacing foreign workers and filling the gaps of youth unemployment. However, this does not appear to be applicable in the real world of work. There is a current situation in which skilled graduates from technical training institutes expect higher pay packages, incentives, perks, and other benefits once employed in private firms. Because our private sectors are still in their infancy, they cannot afford to provide such packages as desired by the youth; as a result, job seekers are hesitant to take jobs available in the private sector.

#### *Lack of Work Experience*

Another factor influencing youth unemployment is a lack of work experience. In the labour market, workers with work experience are in high demand. Employers prefer workers with work experience

because they are more productive and require less training (Oswald-Egg & Renold, 2021). It also raises wages and reduces job search time (Oswald-Egg & Renold, 2021). As a result, work experience has evolved into a powerful market weapon against unemployment and a ticket to a job. Youth with work experience have a higher chance of getting employed because work experience allows them to stand out from other similarly educated job applicants. Our youth, on the other hand, are recent college graduates who enter the job market with no prior work experience because work experience can only be acquired at the workplace. There are numerous young people with various qualifications looking for a job in the market, but the employers in the private sector prefer the ones with prior job experience. On the other hand, jobs above entry-level are filled through internal promotion, and skills are learned as part of the job, with qualifications being secondary. As a result, the barrier to entry for young people into the labour force is higher (Rapten, 2014). According to the LFS report 2020, about 19.5 percent of unemployed youth are youth with recently completed studies. It is a major reason for being unemployed among the several reasons cited. Therefore, the lack of experience poses a significant challenge for youth in getting employed by the employer.

#### *Skills-Job Mismatch*

Skills-job mismatch is one of the pertinent causes of youth unemployment in the job market. Rapten (2014) highlighted that labour shortage and surplus coexist in the labour market due to the mismatch of education and skills in relation to the changing labour market requirements. It is evident that there are job seekers with various levels of qualification, yet they do not have the required skills which would equip them to match with the jobs available in the job market. Thus, the majority of the young and fresh graduates are left unemployed in the market and according to the LFS report 2020, about 9 percent of the youth are unemployed due to skills and qualification-job mismatch. However, the labour market information shows that the actual number of job vacancies is higher than the registered job seekers in the country. This clearly manifests the mismatch between education and the labour market. The current education system in Bhutan is highly oriented to core academic knowledge and builds human capital without considering the patterns

of jobs and demand in the economy. Bhutanese education system encourages lots of memorization to get higher grades and tests for logical and analytical thinking, creativity and imagination. Therefore, educated youth who enter the labour market lack modern core skills and life skills (critical thinking, problem-solving, work ethics, interpersonal skills, creativity and commitment), which are increasingly becoming a necessity for entry into employment (Rapten, 2014). For example, whenever the private and government organisations announce vacancies, they set required skills as the criteria for selection. Normally, these skill criteria for the job don't match with the skills possessed by the youth and therefore, most graduates are left out from competing in the job market due to a lack of marketable skills.

### *Job Preference*

Generally, the Bhutanese youth prefer government jobs over private jobs because of better perks and job security in the government job. Thus, civil service continues to remain the most preferred employment choice over other enterprises for the majority of the Bhutanese youth. Even though private sectors in Bhutan are booming in recent years, they could not generate employment opportunities that attract an increasing inflow of young graduates. On the other hand, the private sectors are still at an infant stage of development and they could not afford to provide perks, job security and a working environment like a government job. Therefore, youth has become reluctant to take jobs available in the private sector, which has resulted in an increasing number of unemployed youth (Kinga, 2005). At the same time, private sectors' preference for experienced and skilled employees becomes another barrier for youth employment (Wangmo, 2012).

The parent's expectation of their children to have careers as government officials upon their graduation is another reason for opting for civil service. This belief is embedded in the mindset of society and children right from the beginning and continues among the high school and college graduates to first seek a job in government agencies (Rapten, 2014). Another reason could be the unattractiveness of the agriculture and construction sectors. Bhutanese youth (especially the educated youth) are reluctant to take up job

opportunities in the construction and agriculture sectors due to the stereotypical notion that construction and farming are solely a profession for uneducated people. Thus, it has become an unappealing career path to lots of young people, but the civil service has become an ‘elite’ career or highly valued career path for the youth.

However, the reality is that not every aspiring youth can find employment in the civil service. Only a small proportion of youth among thousands can make it into the civil service. The study has revealed that those who prefer civil service are 21 times more likely to be unemployed compared to those youths who prefer employment in the private sector, keeping other variables constant (NSB, 2020a). In 2019, 3,256 university graduates sat for the Bhutan Civil Service Examination (BCSE) and only 841 (25.8%) were selected in the civil service. Similarly, in 2020, out of 4400 university graduates who sat for the BCSE, only 815 (18.5%) were selected in the civil service. That means, between 2019 and 2020, the university graduates opting for the civil service increased by 35.1 percent but the slots decreased by 3.1 percent. Moreover, there is no likelihood of jobs in civil service rising appreciably because of the Royal Civil Service Commission’s (RCSC) policy of maintaining ‘Small, Compact and Efficient Civil Service’ and the recent civil service reform.

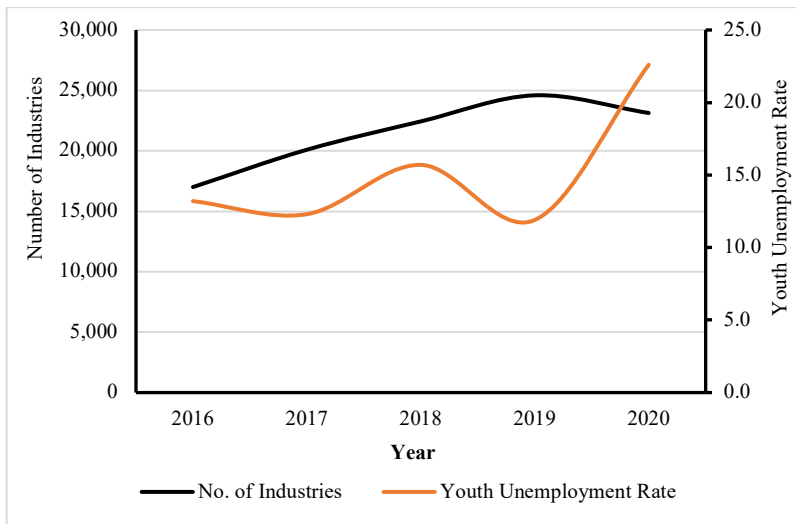
#### *Underdeveloped Private Sectors*

The current study has shown that one of the major causes of youth unemployment in Bhutan is underdeveloped private sectors. As shown in Figure 3, the number of industrial establishments (including all Large, Medium, Cottage, and Small Industries) owned by both the private and public sectors increased by 36 percent from 17,004 in 2016 to 23,133 in 2020. In contrast, the youth unemployment rate increased by 9.4 percent between 2016 and 2020. This indicates that, despite the fact that private-sector companies have created job opportunities, the youth have not taken advantage of them, or it has not generated enough employment opportunities. Bhutanese youth, particularly educated youth, have high expectations from private employers, such as proper career development, training opportunities, job security, a high salary, and favourable working conditions. However, private employers are unable to provide the opportunities that our youths

expect. Because the private sector is still in its infancy, it cannot afford to provide such packages, and because the market is relatively small, many small businesses lack the resources and commitment to invest in human resource development. As a result of a lack of career development, training opportunities, job security, pay that is insufficient to compensate for long and sometimes irregular working hours, pension schemes, and other working conditions (Kinga, 2005; Raptan, 2014), young graduates are hesitant to work in the private sector and the jobs in the private sectors are not readily opted by young people.

**Figure 3**

*Number of Industries vs Youth Unemployment Rate*



Source: *Author's computation using Statistical Year Book 2016-2020. (Note: Industries includes all Large, Medium, Cottage and Small Industries)*

## **Recommendations for Reducing Youth Unemployment in Bhutan**

The following recommendations may be considered to help reduce the country's youth unemployment problem.

### *Reorient Education System*

Every year, the number of university graduates entering the labour market has increased due to extensive improvements in the education system. The relevance and usefulness of classroom learning are critical to a successful transition from high school and college to the labour market. However, the current educational system is heavily oriented toward academic knowledge and is primarily aimed at preparing students for university, rather than the world of work. Educational institutes, as the primary source of labour supply, must adapt to the changing needs and priorities of the country's labour market in the following ways:

Periodically, review subjects and programs offered in schools and colleges in light of job and demand patterns in the economy to reduce mismatches between education and labour market requirements.

In addition to academic knowledge, students should be taught marketable skills that are valued in the labour market, such as personal qualities and competencies in the use of resources, interpersonal interactions, information use, system understanding, and working with technology.

Implement a work-based learning program to give students work experience and personal insight into the world of work while they are still in school or college.

### *Promote Private Sector Development*

The unattractiveness of the private sector is demonstrated by the overwhelming preference for civil service jobs by university graduates. They delay their entry into the labour force for up to two to three years while attempting to be selected for the civil service through BCSE, contributing to the high youth unemployment rate in the process. As a result, it is critical to promote the private sector as a driver of growth

and a source of job opportunities that are appealing to job seekers. Employment in the private sector can be made more appealing by:

Improving the social protection system through the establishment of a Labour Administration System (LAS) and the administration of working conditions in private enterprises, particularly workers' compensation, post-retirement benefits (gratuity, provident fund, and or pension), occupational health and safety, and the adjustment of the national minimum wage.

Since the limited human resource development (HRD) opportunities are another deterring factor, allocating a proportionate share of the HRD budget to the private sector will help build not only human capital but will also motivate young people to work in the private and corporate sectors.

The government should assist the private sector in the form of training and development, access to infrastructure, markets and finance, preferential fiscal and non-fiscal incentives.

#### *Fostering Demand-Driven Skills Development*

Another major cause of youth unemployment in the country is a lack of relevant skills among the youth. As a result, depending on the labour market dynamics, youths must be provided with specific training programs that include re-skilling and up-skilling opportunities. This is an important strategy for reducing skill mismatch and increasing youth employability.

Vocational and educational training programs should be reviewed and aligned with market labour market requirements. Training courses with a clear labour surplus should be replaced with courses with current and future demand.

Device training programs based on a demand-supply model: matching specific skill training demand of respective sector or industry (construction, tourism and hospitality, IT, etc.) by fully subsidized government training while ensuring employment at the end of training by industries.

Wages should be determined based on the level of skills and occupations, not just qualifications and work experience. It will aid in

the recognition of the importance of skills and a skilled workforce in the country.

*Promote Entrepreneurship*

Entrepreneurship encourages self-employment and broadens economic activity. To encourage young entrepreneurs, the government can provide them with the following assistance:

- Including entrepreneurship and financial education in higher secondary, Technical Training Institutes (TTI), and tertiary education has a huge potential for encouraging enterprising youth to start businesses and work for themselves.
- Improve the overall ease of doing business environment in order to create favourable macro-conditions for business start-up and growth by establishing business start-up supports such as a one-stop window facility to reduce regulatory hurdles in starting a new business, access to subsidized capital or low-interest loan, mentorship, networking, and marketing.
- Initiating business incubators or entrepreneurial parks, particularly in tertiary education centres, would aid in the translation of ideas into viable and long-term businesses.

*Boost Agriculture to Create Decent Employment Opportunities*

Agriculture is the largest sector, employing more than 51 percent of the total labour force, but it has experienced the slowest growth over the last decade and remains the least preferred job, particularly among young people. Agriculture is the primary source of income for the majority of rural people, so it must be transformed and diversified in order to bring about positive changes in production, employment, income, and living standards. It can be improved by doing the following:

- Provide improved seeds (disease resistant), fertilizers, irrigation, storage, credit, and access to market outlets, as well as other modern agricultural equipment/technology, to young farmers and interested youth.



- The leasing of viable government land, as the small and fragmented size of land holdings, is the most significant impediment to utilizing a new technology.
- Reducing human-wildlife conflict and food crop loss to wild animals is critical to alleviating farmer hardship.
- Implement Crop Insurance Scheme (CIS) to compensate for crop losses caused by unavoidable circumstances such as natural disasters, wildlife, pests, and diseases.
- Provide necessary farming skills for sustainable farming.
- Those interested young farmers deciding to start a new agricultural venture should be offered integrated vocational training in agriculture and animal husbandry with an extension of technology, entrepreneurial skill, and modern Agri-based management, as well as an interest-free or subsidized loan facility.
- Another innovative idea for attracting youth to farming is an international exchange program for young farmers to study modern farming and technology.

#### *Improving the Attractiveness of TVET*

Although there are numerous TVET institutes in the country that provide marketable skills to the youth, it is not the preferred choice among secondary school graduates due to the program's lack of attractiveness. Only youth who do not qualify for tertiary education and cannot afford higher education choose TVET programs as a last resort. As a result, TVET must improve its attractiveness in order to attract the greatest number of youths. It can be enhanced by:

- Establishing a pathway to higher education and vocational institutes at the diploma and degree levels in collaboration with the Royal University of Bhutan (RUB) will have a significant impact on increasing enrolment and improving the image, attractiveness, and quality of TVET.
- Creating a strong partnership between TTIs and employers, as well as collaborating on market-driven courses and training that ensures employment at the end of training.

- Establishing a minimum wage for national certificate holders from accredited TVET institutes is critical to recognizing the critical role of skills in productivity and economic growth.

## **Conclusion**

The findings of this literature survey indicate that the foremost prominent explanation for unemployment among Bhutanese youth is educational attainment and lack of skills, followed by skills-job mismatch, lack of work experience, under-developed private sector and youths' preference for civil service.

The number of unemployed youths is steadily increasing and there is an urgent need for concerned agencies to improve on their existing initiatives addressing youth unemployment. The issue must be addressed through economic diversification and the creation of sufficient job opportunities to absorb the growing youth labour force; otherwise, the number of youths will outnumber available jobs in the market. The government and policy makers have to re-evaluate and assess our current tertiary education system and reorient the education system to the world of work. Promoting private sector development to create decent job opportunities so that our youth can have an option to look for employment outside the civil service, fostering demand-driven skill development for the youth to reduce job-skills mismatch, promoting entrepreneurship for self-employment, and making agriculture an appealing and sustainable sector, as well as improving the attractiveness of TVET, can all help to reduce youth unemployment.

## **References**

- Aceleanu, M. I., Serban, A. C., & Burghilea, C. (2015). “Greening” the youth employment—A chance for sustainable development. *Sustainability*, 7, 2623-2643. doi:10.3390/su7032623.
- Alawad, A. S., Kreishan, F., & Selim, M. (2020). Determinants of youth unemployment: Evidence from Jordan. *International Journal of Economics and Business Administration*, 8(4), 152-165.

- Axelrad, H., Malul, M., & Luski, I. (2018). Unemployment among younger and older individuals: Does conventional data about unemployment tell us the whole story? *Journal for Labour Market Research*, 52(1), 1-12. doi:10.1186/s12651-018-0237-9.
- Ayhan, F. (2016). Youth unemployment as a growing global threat. *Actual Problems of Economics*, 181(7), 262-269.
- Bayrak, R., & Tatli, H. (2018). The determinants of youth unemployment: A panel data analysis of OECD countries. *The European Journal of Comparative Economics*, 15(2), 231-248.
- Caliendo, M., & Schmidl, R. (2016). Youth unemployment and active labour market policies in Europe. *IZA Journal of Labour Policy*, 5(1), 1-30. doi:10.1186/s40173-016-0057-x.
- Cloete, A. (2015). Youth unemployment in South Africa: A theological reflection through the lens of human dignity. *Southern African Journal of Mission Studies*, 43(3), 513-525.
- Egessa, A., Nnyanzi, J. B., & Muwanga, J. (2021). Determinants of youth unemployment in Uganda: The role of gender, education, residence, and age. *IZA Journal of Labour Policy*, 11(1), 1-29. doi:10.2478/izajolp-2021-0008.
- Galadima, M. (2014). Effects of youth unemployment and its consequence: A survey of youth in Yobe State, Nigeria. *IOSR Journal of Humanities and Social Science*, 19(9), 91-95.
- Gontkovičová, B., Mihalčová, B., Pružinský, M., & Finance. (2015). Youth unemployment—current trend in the labour market? *Procedia Economics and Finance*, 23, 1680-1685. doi:10.1016/S2212-5671(15)00554-7.
- Görlich, D., Stepanok, I., & Al-Hussami, F. (2013). *Youth unemployment in Europe and the world: Causes, consequences and solutions*. Kiel Institute for the World Economy.
- ILO. (2011). *Tackling youth employment challenges: An overview of possible actions and policy considerations*. Turin, Italy: International Labour Organisation.
- Imtiaz, S., Arshad Ali, Khan, Z., Ullah, M., Khan, M., & Jacquemod, J. (2020). Determinants of youth unemployment in Pakistan. *International Journal of Economics and Financial Issues*, 10(5), 171-177.

- Kinga, S. (2005). *Youth and unemployment in Bhutan*. Centre for Bhutan Studies.
- Mizintseva, M. F., Sardarin, A. R., Petrochenko, A. A., & Chavykina, M. A. (2017). Problems and trends of the youth labour market and youth labour mobility in the world. *Revisita Espacios*, 38(54), 1-18.
- Mryyan, N. (2014). Demographics, labour force participation, and unemployment in Jordan. The Jordanian labour market in the new millennium, 39-63.
- National Statistics Bureau (NSB). (2017). *Population and Housing census of Bhutan 2017*. Thimphu, Bhutan.
- NSB. (2018). *Labour force survey report 2018*. Thimphu, Bhutan.
- NSB. (2019). *Statistical Yearbook of Bhutan 2019*. Thimphu, Bhutan.
- NSB. (2020a). *Determinants of youth unemployment in Bhutan*. Thimphu, Bhutan.
- NSB. (2020b). *Labour force survey report 2020*. Thimphu, Bhutan.
- O'Higgins, N. (2015). Youth unemployment. *IZA Policy Paper*, (103). Institute for the Study of Labour (IZA), Bonn.
- Oswald-Egg, M. E., & Renold, U. (2021). No experience, no employment: The effect of vocational education and training work experience on labour market outcomes after higher education. *Economics of Education Review*, 80, 102065. doi:<https://doi.org/10.1016/j.econedurev.2020.102065>.
- Pop, A., Kotzamanis, B., Muller, E., McGrath, J., Walsh, K., Peters, M., . . . Dietrich, C. (2019). *Youth unemployment: Territorial trends and regional resilience*. Luxembourg: ESPON.
- Qayyum, W. (2007). Causes of youth unemployment in Pakistan. *The Pakistan Development Review*, 46(4), 611–621.
- Rapten, P. (2014). *Understanding the dynamics of labour market and youth unemployment in Bhutan - A study for policy and strategic response*. Japan External Trade Organisation.
- Shakur, E. S. A., Sa'at, N. H., Aziz, N., Abdullah, S. S., & Rasid, N. H. A. (2020). Determining unemployment factors among job seeking youth in the East Coast of Peninsular Malaysia. *Journal of*

- Asian Finance, Economics and Business*, 7(12), 565-576.  
doi:10.13106/jafeb.2020.vol7.no12.565.
- Singh, R., & Raj, A. (2019). Causes of youth unemployment: Emerging issue in Indian economy. *International Journal for Innovative Engineering & Management Research*, 7(13), 644-651.
- Tangtipongkul, K., & Wangmo, D. (2017). Determinants of Unemployment: Characteristics and policy responses in Bhutan. *Southeast Asian Journal of Economics*, 5(2), 27-48.
- Tenzin, U. (2019). The nexus among economic growth, inflation and unemployment in Bhutan. *South Asia Economic Journal*, 20(1), 94-105.  
doi:10.1177/1391561418822204.
- Thomas, B., Ruth, B., & Blessio, B. (2016). An investigation into the cause of unemployment among youths in the city of Harare. *Global Journal of Arts, Humanities and Social Sciences*, 4(2), 90-102.
- Uddin, P. S. O., & Uddin, O. O. (2013). Causes, effects and solutions to youth unemployment problems in Nigeria. *Journal of Emerging Trends in Economics and Management Sciences*, 4(4), 397-402.
- Wangmo, D. (2012). A study on youth unemployment and its consequences in Bhutan. (Master's Thesis), KDI School of Public Policy and Management, South Korea.
- Yangchen, T. (2017). Determinants of youth unemployment in Bhutan. (Master's Thesis), KDI School of Public Policy and Management, South Korea.