

Bhutan's Employment Conundrum: Challenges and Opportunities

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ABSTRACT

Increasing unemployment, absence of government action in job creation, small market and lack of entrepreneurial opportunities are troubling the Bhutanese population, especially youths, in recent years. The young and educated population is looking for greener pastures overseas and the economy is surprisingly becoming remittance reliant. There are multiple factors within the country that need government attention in order to improve the employment rate for university graduates. The country has a small private sector that hardly can create any new workplaces. The biggest employer is the public sector – that too is shrinking in recent years – in response to costs cutting measures. This study focuses on the historical structure of the Bhutanese job market, current trends and future prospects and what it means for the Bhutanese economy in general.

Keywords: Economy, employment, job market, youths

Introduction

Bhutan has attained steady economic growth over the last several years and is relatively better than its neighbours. It recorded GDP growth averaging 5.4 % between 2010- 2018 (NSB, 2018). The COVID-19 pandemic hit it hardest, like other countries, yet the impact was worst on Bhutan considering its import-based economy. This means, opportunities for new graduates to get employed shrunk further. The pandemic has challenged Bhutan's aim of limiting the youth employment rate to 6-6.5% during the Twelfth five-year plan period 2018-23. In 2021, the youth

unemployment rate stood at 20.9%, though the overall unemployment rate was only 4.8% (NSB 2022).

Bhutan's population increased to 763,249 (NSB 2022) in 2022 from 634,982 (NSB 2005) in 2005. As per Population and Housing Census 2005, the youth population accounted for 23% in 2005 while as per the 2017 census report, this population declined to 19.8%. The urban youth population increased by 16.8% in 2017 compared to 2005 while the rural youth population declined by 13% during the period. While youth travel to cities in search of job opportunities and a better lifestyle, the metropolis is unable to create opportunities to match the demand.

The high rate of unemployment among the youth has become one of the most discussed development issues today among policymakers. Despite the continual increase in the number of youths entering the labour market over the years, there has been a limited number of employment opportunities created from both the public and private sectors. Owing to the excess supply, the country is likely to face further deterioration in youth employment in the short and medium term.

The Labour Force Survey 2020 projected the youth unemployment rate to be 22.6 % in that year, almost double the rate of 11.9% in 2019. This decreased to 20.9% in 2021. Every year, approximately 20,000 youths enter the job market. Except for 2019, Bhutan marked an increasing trend in the unemployment rate over recent years (Kuensel, 2020).

Bhutanese job market and economy can be blamed for inherent structural complexities that failed to absorb young graduates to maximize its growth. The causes of unemployment among Bhutanese youth are varied including but not exclusively, mismatch of supply and demand of skills, youths' preference for office jobs over physical labour, small job market and lack of family support while unemployed.

If the issue is not addressed adequately and timely, it is likely to cause social and economic issues for the country. Studies have shown that unemployment and poor socio-economic condition have a strong correlation to youths committing crimes and coming to conflict with law (Gyeltshen *et.al*, 2015). Failure to find employment results into demoralisation, depreciation in their human capital and deterioration in their employment prospects which leads to social exclusion (Clark & Summers 1982). There are also cases of youth people who cannot find employments and engage in criminal activities, drug addiction and prostitutions which take them away from normal labour markets (Msigwa & Kipsha 2013).

Causes

According to UNICEF (2020), there are 621 million young people aged 15-24 years old who are not in education, employment or training. About 75 million young people are trained but have no job. Almost 90% of all young people live in developing countries like Bhutan. And over a billion young people enter the labour market, most of them to face a future of irregular and informal employment.

The reason for youth unemployment around the world varied. The youth unemployment problem has also been linked with educational background and qualification young people acquired compared to the skills demanded in the labour market. There has been skills mismatch between the youth and the labour market which increases the problem of youth unemployment (Dimian, 2011). Other factors include market demand, education, wages and labour market policies among others that have direct impact on determining youth employment.

Changes in the age structure of the population, or demographic transformation, also determine the youth unemployment rate and 'affect the situation of youth labour markets' (Salvador & Killinger,

2008). For instance, a country with aging population is likely to create employment opportunities for youths, as the workforce required to be replaced.

Over the years, a significant number of educated youths have remained unemployed as compared to uneducated youth, particularly in the context of developing countries (Dickens & Lang, 1995). They attributed this phenomenon to a mismatch between the supply of education and demand for labour.

Byron Mook (1982), in his study of Sri Lankan labour market, noted that the real unemployment among educated youths is not as high as official figures often indicated. Only a few young people thought about self-employment possibilities, but its pursuance is obstructed by lack of finance.

In a study from Pakistan, by Qayyum (2007) likelihood of a youth with primary education being unemployed increases by 2.3%; for college graduate, the probability increases by 18.3%; and for highly educated youth, the probability of becoming unemployed is as high as 20.1%.

As per Isengard (2003), unemployment rates do not fall steadily as the level of education increases, but rather depends on whether someone has a vocational qualification, in Germany, because specific occupational skill carries more weight than formal education. A successfully completed apprenticeship seems to be an important selection criterion in the labour market. Bhutan does not have apprenticeship culture, adequately developed.

Problems in Bhutan

There are many determinants of youth unemployment in Bhutan such as 'skills mismatch, lack of economic diversification, and deep-rooted societal beliefs and values in Bhutanese society' (Pem, 2022).

The youth unemployment rates in Bhutan remained consistently high for last several years despite some government efforts to address them. The economic growth that Bhutan saw over the last several decades did not translate into creating opportunities for the new generation. Economic growth had no impact on the reduction of unemployment rates in Bhutan (Tenzin, 2019). The reason being the single industry – hydropower – that has been pushing the GDP growth in Bhutan while this industry primarily employs Indian and other foreign expatriates.

Contribution for strong economic growth is from non-labour-intensive sector. Agriculture sector still is the largest industry creating few new employment opportunities. The industry grew by an average of 2.9% annually during the last decade. The service sector, that employs on average 38% of young people recorded growth at 8.4% annually and industry sector employing 18.5% youths grew by 4.8%, as per Labour Force Survey 2019. Construction industry observed significant growth – mostly the hydropower projects - but remain far behind generating employment opportunities. This industry generally requires physical labour, which is not a preference for Bhutanese graduates. The social dogma in the Bhutanese society plays a vital role here – that educated individuals must have an office-based job, not a one that requires physical labour. Manufacturing sector employing 9% of the country's young work force recorded an annual average growth of 7.1% (NSB 2019).

The skills mismatch between market demand and labour supply is attributed to traditional teaching methods still practiced in the country. Tenzin (2015) and Tantipongkul & Wangmo (2017) found the effect of higher educational attainment significantly associated with youth unemployment in Bhutan. They said that completion of a lower secondary education raises the likelihood of being unemployed by 1 percentage point; middle secondary by 1.7; higher secondary by 2.7; and, degree and masters by 5.5 percentage points.

Rabten (2014) noted education and training system has not adequately prepared the youth for work. They lacked the required skills, experience, attitude and are not aware of labour market information. The more educated youths are, they are less likely to be employed in Bhutan.

This is opposite to what has been seen in other developing countries. Isengard, (2003) found the level of education contributes significantly towards the individual's prospect of finding an employment. As the level of education rises, the probability of unemployment decreases.

The higher unemployment problems with educated youths in Bhutan is certainly linked to mismatch between the education and skills in relation to the changing job market requirements. While Bhutan has improved general literacy rate and net school enrolment rate, country's education policy, specifically, the tertiary education requires serious re-thinking (NSB, 2020).

Education in Bhutan is focused on imparting core academic knowledge that does not consider the changing job pattern and market demands. The new university graduates who enter the job market every year receive a shock response that they lacked adequate skills required for the job they are aspiring for, despite attaining university qualification.

The young graduates have skills deficiencies such as work ethics, unrealistic career/job expectations, interpersonal skills, reliability, creativity and commitment. Bhutanese education system encourages lots of memorisation to go to the higher grades and hardly tests for logical and analytical thinking, creativity and imagination (Rabten, 2014).

Bhutan also records disparity in employment opportunities between urban and rural areas. Though experiences from other

countries show urban areas have higher employment opportunities, this has not been the fact with Bhutan. Youth unemployment in Bhutan is higher in cities compared to rural areas. The rural-urban migration is a big phenomenon in Bhutan, but cities have failed to create opportunities for migrating youths. In 2018, youth unemployment was highest in Paro (38.5%) followed by Thimphu (29.8%) and Sarpang (19.9%) while Pema Gatshel reported zero unemployment rate in the year.

Female job seekers are less likely to be hired compared to their male counterparts. No research has been conducted to understand logic behind the trend but generally attributed to gender-biased perception and male dominated decision makers. Also, the labour force participation rate differs significantly between male and female, particularly among urban females. The likely reason would be females exiting job market following marriage to look after kids and manage household business.

Policy Instruments

There are inadequate policy instruments and regulations fostering employment opportunities for job seekers, including youths. Only a few vague provisions in laws do not make it the government responsibility of creating job opportunities. Country's constitution underscores creating enabling conditions for the individuals and in generating sufficient jobs for livelihood.

The Labour and Employment Act of Bhutan 2007 provides some legal protection governing employment and working conditions of the nation's workforce. Ironically, the Act says it's the vision of the King, not of an elected government. The act ensures that laws, rules and regulations related to employment are equally applied to protect the nation's workers - both employers and employees, including job seekers.

The National Employment Policy 2013 stipulates to achieve full, protective, meaningful, gainful, and decent employment for the

people of Bhutan. ‘The Royal Government shall place employment generation at the core of national and local socio-economic development planning to address the employment needs of its citizens particularly, the youth and vulnerable sections of the society. Each local government shall be responsible for the creation of local employment opportunities.’ It encourages, leading businesses and employers to ‘provide entrepreneurship information and counselling services, conduct business competitions and facilitate networking opportunities for youth entrepreneurs.’

The likelihood of remaining unemployed among youths decreases by 21% with every additional year of their age (NSB, 2020). This means youths have to wait longer after completing their studies, to get gainful employment. This will have a negative impact on the national economy if young populations waste their resourceful ages without work.

The government had increased paid maternity leave for new mothers from three to six months (Subba, 2016). The policy measure failed to attract more women into workforce, rather encouraged employer to prefer male applicant to avoid business disruption during maternity leave. Additionally, the six months maternity leave privilege has not been implemented by the private sector.

The government job continues to remain the most preferred employment choice over other enterprises for the majority of the youth in Bhutan (BBS, 2015). But it does not have capacity to include everyone completing university. In 2019, approximately 20% of those completing university landed in government job. This has changed significantly in recent year with Royal Civil Service Commission laying off large number of employees (Lamsang, 2023) under new campaign ‘small, compact and efficient civil service’ (Rinzin, 2021). The share of civil service compensation now accounts for more than a third of domestic

revenue, raising concerns of fiscal sustainability. The challenge now is to be able to adjust to the new reality of “doing more for less” and focus on the outcomes society needs and wants (Dorji, 2021).

Efforts

There had been several efforts from the government to address the increasing youth employment. Skills shortage is one of the issues that the government is required to address. In the 2022-23 budget, the government allocated Nu 1.6B for skills development trainings to the youth in 108 areas (Choden, 2022).

The biggest initiative taken by the government so far is *Gyalsung*. The project operates from five centres across the country - Jamtsholing (Samtse), Tareythang (Sarpang), Pemathang (Samdrup Jongkhar), Khotokha (Wangdueprodrang) and Bondeyma (Mongar). The project expects to train at least 13,000 youths every year in multiple fields. The project is envisioned as a one-year integrated training program mandatory for all youths attaining the age of 18 and if in school – upon completion of grade twelve. The one-year training includes three months of basic military training followed by nine months of specialised training in various fields ranging from home construction technologies, computing and entrepreneurship to focused development of skills in agriculture¹. Together with this, the Royal Palace also runs DeSuung programme that organises para-military training and entrepreneurial skills. The trainings are followed by field experiences associated with business and entrepreneurial entities – with hopes that they will eventually lead to engagement of youths in meaningful economic activities such as self-employment and entrepreneurship. DeSuung also runs Business Incubation and Start-ups Centre² to facilitate the youths to use their skills in meaningful way.

¹ http://www.gyalsunginfra.bt/?page_id=175

² <https://desuung.org.bt/about-dsp/>

Additionally, the Ministry of Labour and Human Resources runs Youth Employment and Livelihood Programme to help youth access employment opportunities. Critical skills training program are also provided to improve skills and creativity. To progress entrepreneurs and start-ups, Cottage and Small Industry and start-up flagship programmes worth Nu 1.2B have been introduced (Lhamo, 2020).

Other major effort from the government is opening up foreign employment opportunities. The Overseas Employment Scheme was started in 2013. Over 8,000 individuals, mostly youths, have migrated to other countries in search of jobs (Pem, 2022). Most of these Bhutanese migrated to Middle East. When several Bhutanese sent to Japan under the similar scheme (Learn and Earn) faced trouble (Quinn, 2020), government efforts were seriously questioned. However, the trend to travel overseas looking for employment opportunities is gaining momentum. Those travelling to advanced economies under dependent visa and seeking employment opportunities are also increasing. The growing remittances (Zangpo, 2021) that Bhutan is receiving in the last several years have motivated youths to seek green pastures overseas.

Guaranteed Employment Programme, Direct Employment Scheme, Youth Employment Scheme, Graduate Skills Programme, Youth Employment and Rural Entrepreneurship – all attentions have focused on creating employment opportunities for youths. The efforts have not yielded any meaningful outcome so far. All these schemes facilitate improving skills for the youths to match the market demands. However, only small efforts are directed on actually creating vacancies in the job market.

Conclusions

Increasing youth unemployment has received sufficient attention from the government. Several initiatives have been taken to

address the issue. The initiatives are yet to provide concrete outcome that the issue has been properly addressed.

The macroeconomic indicators show that Bhutan has achieved good economic growth in the last decade improving various socio-economic dimensions such as education, health, poverty and disposable income. However, the microeconomic indicators show serious challenges for the economy if youth unemployment are not addressed on time. The policies and initiatives have not translated the vision into reality.

The country requires serious consideration to overhaul its curriculum and education system. Class-based teaching learning practices should be replaced with more practical such as apprenticeship that helps gain both knowledge and skills required by the market. The curriculum must be prepared in the workplaces, not inside the four walls. Work experiences increase employment prospects or motivate self-entrepreneurship.

Desperately searching for a more promising future, (job seekers) migrate to other countries where they will struggle to find work and a better life. Their plight also has major implications for national companies and global businesses seeking to expand or invest in frontier markets that hold economic promise. Chronic youth unemployment puts a brake on national economies, and the lack of literate and skilled young workforce limits businesses' ability to generate higher growth, better profits and more jobs (Albright, 2017).

Together, the job seekers must change their mindset that civil service is not the only employer. While government must facilitate expanding private sector, job seekers must look for opportunities in private sector who are more important in terms of contribution to the national economy. It is crucial to promote private sector development and make the employment in the private sector attractive for job seekers, ensuring job security mechanisms and

other fringe benefits. There is need to introduce government incentives for those starting their own business – such as interest free funding, tax concessions etc. This will diversify the economy, which Bhutan seriously need today to end reliance on hydropower for economic growth.

Job seekers must end their prejudices on job selection – between blue-collar and white-collar jobs. Societal stigma, real or perceived, is prevalent in Bhutan - blue-collar vocational employment is not held with equal to ‘white-collar’ options. This prejudice must end – all jobs have similar respect, and all jobs contribute equally towards a stronger economy.

Bhutan has potential for expansion of tourism industry. In 2022, the government increased visa fees for foreign travellers (Wangdi & Gyeltshen, 2022), which will discourage tourists in longer run. Expansion of tourism industry will open opportunities in hospitality and other businesses linked to it.

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