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**Understanding the Dynamics of Labour  
Market and Youth Unemployment in  
Bhutan – A Study for Policy and Strategic Responses**

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## Contents

Abstract

1	Introduction.....	1
2	Overview of the economic growth and employment context .....	3
2.1	Economic growth pattern.....	3
2.2	Employment pattern .....	5
3	General labour market trends and outcomes .....	9
3.1	Labour supply .....	9
3.2	Unemployment .....	12
3.3	Underemployment.....	12
3.4	Quality of employment.....	13
4	Analysis of the youth labour market.....	14
4.1	Labour supply .....	14
4.2	Employment.....	15
4.3	Unemployment .....	19
4.4	Youth inactivity .....	22
4.5	Underemployment.....	23
4.6	Nature of the youth employment problem .....	24
5	Unemployment (youth): Causes and Effects .....	26
5.1	Plausible explanation for low unemployment (general).....	26
5.2	Explanations of youth unemployment.....	27
5.3	Youth and some dimensions of perceived social problems .....	35
6	Future outlook for youth .....	38
7	Recommendations.....	39
8	Conclusion.....	54

Appendix

References

## Abstract

Bhutan is a young demographic country with 50.3 percent of her total population below the age of 24 years in 2013. As youth are harbinger of the future, Bhutan is at a critical juncture with her youth bulge, where the dependency ratio is expected to decline with the young adults entering the working age. She can only succeed if her youth bulge is turned into a demographic dividend. However, prevailing trends show that despite her relatively steady and higher GDP growth rates it has not been able to translate into adequate employment and also in shifting of employment from low productive agriculture sector to other productive sectors. The overall unemployment in Bhutan is low compared to regional and international averages. But her youth unemployment, which is currently 3.5 times that of the national rate, is on the rise which is mainly concentrated in the urban areas and faced more by females is a cause of major concern. Besides, the current trends of underemployment and youth who are neither in education nor in training (NEET) and their potential for social problems are also worrisome. This evidence-based study examines both the general and youth labour market trends and outcomes from 2003 to 2012 with main focus on three years interval period based mainly on the survey reports of labour force and living standards. As the research was carried out in Japan, it also provides useful lessons and experiences from the field visits undertaken in Japan. The main objective of this research paper is to undertake diagnosis of labour market from various dimensions and main challenges faced by the youth in entering employment, so that adequate policy and program responses can be developed. The analytical approach mainly followed the *framework of policy cycle, problem tree and employment dimensions*. Being the first of its kind in the country, this study is expected to contribute to future research on similar topics and provide timely information for better planning and policy decisions.

“Is the education our youth are receiving attuned to needs of the nation? And once educated, will our children find employment and realize their full potentials?”

His Majesty the King of Bhutan (National Day, 2011)

## 1 Introduction

Gauging by the current level of economic growth and unemployment the labour market is not sound in many parts of the world. Many countries are experiencing job losses and rising unemployment particularly among the youth<sup>1</sup> due mainly to poor economic performance. Globally, nearly 75 million youth are unemployed accounting to 12.6 per cent in 2011.<sup>2</sup> For Bhutan that pursues wellbeing and happiness as her ultimate purpose of development, promoting employment opportunities and raising level of living standard have been the prime goals of her socio-economic development plans. It is viewed that happiness is not possible if people are not gainfully employed that provide sustainable livelihoods for themselves and their families. Therefore, Article 9 sections 11, 12 and 15 of the Constitution of the Kingdom of Bhutan states “The State shall endeavor to promote those circumstances that would enable the citizens to secure an adequate livelihood.....right to work, vocational guidance and training and just and favourable conditions of work.....provide education for the purpose of improving and increasing knowledge, values and skills of the entire population..”

Bhutan is a young demographic nation with 50.3 per cent of her total population (projected 733,004) below the age of 24 years in 2013, which is projected to remain around 46 per cent in 2020.<sup>3</sup> The unemployment rates vary from 2.9 per cent (7,500) in 2003 to 3.2 per cent (7,200) in 2006 to its historical high level of 4 per cent (12,900) in 2009 and 2.1 per cent (6,904) in 2012.<sup>4</sup> Generally, unemployment rates are higher in urban areas (2.5 times that of rural) and likewise, females experience higher level of unemployment rates. Similarly, the youth unemployment rates fluctuate from 5.3 per cent (3,300) in 2003 to 9.7 per cent (4,300) in 2006 to a record high of 12.9 per cent (9,000) in 2009 and 7.3 per cent (3,476) in 2012. The average number of unemployed youth is around 54 per cent of all unemployed people from 2003 to 2012. Of the youth unemployment, female rates are generally higher ranging from 10.2 per

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<sup>1</sup> According to the United Nations, young people or youth are defined as persons between 15-24 ages and adults as persons over age 25 years and over.

<sup>2</sup> ILO: *Global employment trends for youth 2012*.

<sup>3</sup> NSB: *Population projections 2005-2030*.

<sup>4</sup> *Labour force survey reports of 2006, 2009 and 2012 & Bhutan living standard survey 2003*.

cent (2500) in 2006 to 14.7 per cent (5800) in 2009 and 7.2 per cent (2083) in 2012. Therefore, female youth also show particular vulnerability in the labour market.

In the current 11<sup>th</sup> five year plan period (July 2013-June 2018)<sup>5</sup>, the labour force participation is projected to increase from 343,361 from 2013 to 370,160 in 2018. Similarly, the total number of job seekers is estimated to increase from 90,000 during the previous plan period to around 120,000 during the current plan. In the current plan period, the government has pledged for promotion of full and productive employment and set a target to maintain full employment (97.5 per cent) as one of its National Key Result Areas and at the same time reduce youth unemployment rate from current 7.3 per cent to 2.5 per cent.

Despite high importance accorded to the youth employment there is no separate National Action Plan for Youth Employment or Youth Employment Guarantee Plan to address the growing youth employment challenges. Therefore, the main objectives of the study are: to identify, examine and analyse the main structural issues affecting general labour market and youth employment in particular; and to provide recommendations for appropriate policy planning and strategic responses. Being the first of its kind in the country, this research attempts to analyse and provide evidence-based information on the dynamics of labour force, employment and labour market pattern, and functioning of active labour market programs. The analysis is significantly based on the labour force survey reports and living standard survey reports for the period, 2003 to 2012. The analytical approach mainly followed the framework of policy cycle, problem tree and employment dimensions. As the research was carried out in Japan, learning and experiences from a few field visits were also shared in the paper.

This paper consists of seven sections. First section provides an overview of the economic growth and employment patterns. Second section looks at general labour market trends and outcomes that allows for a comparison of the youth position in the labour market. Third section analyses labour market trends for the youth. Fourth section outlines explanations of youth unemployment and perceived youth associated social problems, as consequences of unemployment. Fifth section looks at future outlook of labour supply. Sixth section provides recommendations for policy and program interventions, both preventive and treatment. Seventh section makes some concluding observations.

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<sup>5</sup> Bhutan follows five year development planning cycle. The first five year plan began from 1961.

## **2 Overview of the economic growth and employment context**

### **2.1 Economic growth pattern**

The economic development in industrialized countries and emerging economies followed a common pattern where the agricultural share in total output declines while that of industry increases and eventually the share of services increases with the share of industry declining. The general pattern in most of the developed countries shows that agriculture contributes less than 5 per cent to GDP, industry between 25 to 30 per cent and services around 70 per cent.<sup>6</sup> This structural change in the economy accompanied by improvement in total factor productivity has effected employment shifting labour force largely from agriculture to industry and eventually to services.<sup>7</sup> Besides, change in demographic factors like low fertility rate, ageing population, longevity and migration that influence labour force participation has also affected employment.

Bhutan over the period of five decades of socio-economic development planning has achieved remarkable progress. Looking at the overall plan outlays of different sectors for various five year plans, Bhutan under the visionary leadership of her Kings accorded highest priorities to some of its key sectors. In brief, during the past 10 consecutive five year plan periods (1961-2012) the average allocation of total plan outlays for the public works sector accounted 20 per cent followed by health and education around 17 per cent, agriculture sector 16 per cent and trade and industry around nine per cent. Based on her investment patterns, Bhutan's development cycle roughly witnessed five phase namely, roads construction and internationalization of relations (1961-73), establishment of health, education and agricultural extension services (1973-83), hydropower and mineral development (1983-87), air service and digital telecommunications networks (1988-98), and democratization and globalization after 1998.<sup>8</sup>

These investments have resulted in significant and improved growth in the economy and changes in structural composition. During 2003-2011 (table 1), the GDP growth increased from 4 per cent in 2003 to its peak at 17.9 per cent in 2007, which

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<sup>6</sup> Rangarajan, 2006, p. 2. <http://www.mse.ac.in/pub/Monograph%202.pdf>

<sup>7</sup> In 2008 in Japan, UK and USA, the share of agriculture in employment was less than 5 per cent, that of industry between 20 and 28 per cent and that of services between 69 and 79 per cent ([www.laborsta.ilo.org](http://www.laborsta.ilo.org)).

<sup>8</sup> Ura, Karma: *The Bhutanese development story*, p.4

then gradually dipped to 8.5 per cent in 2011. Overall, the average GDP growth rate recorded 8 per cent annually. In terms of sectoral contribution to GDP, the share of primary sector declined gradually while that of secondary and tertiary rose markedly over the years. From 2003 to 2011, primary sector's share to GDP decreased significantly (9.7 percentage points): down 4.1 percentage points between 2003 and 2006 compared to 3.1 between 2006 and 2009 and 2.5 between 2009 and 2011. Whereas, between 2003 and 2011, secondary sector increased from 34.2 per cent to 38.4 per cent (up 4.2 percentage points) and tertiary sectors from 38.3 per cent to around 44 per cent (up 5.7 percentage points). In terms of sectoral contribution to overall GDP growth, the tertiary sector's growth though fluctuated over the years contributed the highest. Its contribution to GDP accounted for 6.5 percentage points in 2011 compared to 4.7 in 2009 and 3.5 in 2003.

Table1 *GDP and sectors, 2003-2011*

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
<i>Contribution to real GDP growth by sectors (%)</i>									
Primary sector	0.5	0.4	0.5	0.8	0.5	0.5	0.3	0.2	0.6
Secondary sector	0	2.8	2.8	3	14.9	2.4	1.8	5.4	1.4
Tertiary sector	3.5	5.2	5.5	3.1	2.5	1.8	4.7	6.1	6.5
Total real GDP growth	4	8.4	8.8	6.8	17.9	4.7	6.7	11.7	8.5
<i>Real GDP growth by sector (year-to-year-change in %)</i>									
Primary sector	1.8	1.7	2	3.7	2.5	2.5	1.6	1.1	4
Secondary sector	9	7.8	7.9	8.4	41.6	5.5	4.1	12.7	3.2
Tertiary sector	10.2	13.4	13.5	7.3	5.9	4.8	12.2	15.5	15.7
<i>GDP share by sector at current prices (%)</i>									
Primary sector	27.7	25.8	23.9	23.6	20.5	20.7	20.5	19.0	18.0
Secondary sector	34.2	34.5	34.4	35.5	42.3	40.8	39.7	40.6	38.4
Tertiary sector	38.3	39.7	41.8	40.9	37.3	38.4	39.8	40.4	43.7

Note: National accounts statistics for year 2012 is not published yet. Primary sector: agriculture, livestock, forestry and mining & quarrying; secondary sector: manufacturing, electricity & water and construction; and tertiary sector: wholesale & retail trade, hotels & restaurants, transport, storage & communications, financing, insurance & real estate, community, social & personal services, etc.

Sources: Royal Monetary Authority (RMA), *Annual Report 2004/05(Jan 2006), 2011/12 (Jan 2013) & Selected Economic Indicators, Vol 27. No1, March 2013*

While reviewing sectoral growth and its composition of GDP growth, secondary and tertiary sectors recorded much faster growth. In 2011, tertiary sector



recorded the highest growth at 15.7 per cent (consecutively for 3 years) compared to 7.3 per cent in 2006 and 10.2 per cent in 2003. Within the tertiary sector, hotels and restaurants recorded an impressive growth of 41.2 per cent (3.9 per cent growth in 2010) followed by financing, insurance and real estate at 21.8 per cent (8.5 per cent in 2010) and transport, storage and communications at 21.5 per cent (11.1 per cent in 2010). The growth in the secondary sector however, slowed to 3.2 per cent in 2011 (down 9.5 percentage points from the previous year) due to negative growth in the electricity and water sector, as well as lower growths in the manufacturing and construction sectors. The overall performance of the primary sector improved in 2011 (4 per cent - up 2.9 percentage points from the previous year) attributed mainly by the forestry and logging recording a positive growth of 3.0 per cent (negative 2.3 percent in 2010) and the mining and quarrying witnessing robust growth of 24.2 per cent (8.5 per cent in 2010)<sup>9</sup>.

## **2.2 Employment pattern**

During the decade from 2003 to 2012, the employment rates fluctuated moderately from 98.2 per cent in 2003 to 96.8 per cent in 2006 and from 96 per cent in 2009 to 97.9 per cent in 2012. In terms of aggregate employment, it increased by 31 per cent between 2003 and 2012 (almost 80,000 persons). Though it decreased sharply by 11.4 per cent (28,600 persons) between 2003 and 2006 it increased substantially by 40.3 per cent (nearly 90,000) between 2006 and 2009 and then slowed down at 5.3 per cent growth (nearly 16,700) between 2009 and 2012. On the other hand, the total working population also grew by nearly 47 per cent (166,367 persons) between 2003 and 2012. Observed by gender between 2003 and 2012, females witnessed higher employment growth of 35.5 per cent (44,125) compared to 26.5 per cent for males (33,862).

Table 2 *Sectoral share of employment (%) and GDP (%)*

Year	Agriculture	Industry	Services	Others	Total employed	Female share of total employment (%)
2003	79.6 (25.6)	2.69 (36.2)	4.46 (38.2)	13.25	251,500 (98.2)	49.3
2006	62.8 (21.4)	7.54 (37.7)	25.5 (40.9)	4.16	222,900 (96.8)	43.3
2009	65.4 (18.2)	6.4 (41.9)	23.2 (39.8)	5	312,800 (96)	48.08
2011	60.1 (15.7)	9.2 (40.7)	30 (43.6)	1.96	323,700 (96.9)	47.4
2012	62.2	8.64	27.2	1.96	329,487 (97.9)	51.02

<sup>9</sup> For detail, refer RMA, January 2013.

Note: Parentheses under sectors show sectoral contribution to GDP (at current prices) and parentheses under total employed show employment rates. Agriculture sector includes agriculture, livestock & forestry; industry sector includes mining & quarrying, manufacturing, electricity & water and construction; and services is same as tertiary sector

Sources: Author's calculation based on *Selected Economic Indicators, March 2013*; *Bhutan Living Standard Survey (BLSS) 2003* by National Statistical Bureau and *Labour force survey (LFS) 2006, 2009, 2011 & 2012* by Ministry of Labour & Human Resources (MoLHR),

In terms of sectoral employment (table 2) between 2003 and 2012, the share of employment in agriculture declined markedly by 21.9 per cent; it was highly prominent between 2003 and 2006 (down 16.8 percentage points) compared between 2009 and 2012 (down 3.2 percentage points). On the other hand, though the industry and services' shares of employment increased from 2003 to 2012 the share of services was far greater; it was 3 times that of industry. The growth of employment in industry and services was far greater between 2003 and 2006, which increased by 4.85 and 21.04 percentage points, respectively compared to growth of 2.24 and 4 percentage points between 2009 and 2012.

Table 3 *Distribution of employed persons by major economic activities (%) and gender*

Major economic activity	2006	2009	2012	% change		Percentage (2012)	
				2006-09	2009-12	Male	Female
Agriculture & forestry	62.8	65.4	62.2	4.14	-4.9	38.4	61.6
Manufacturing	3.0	4.7	5.0	56.7	6.4	40.3	59.7
Electricity, gas & water supply	1.9	1.1	2.0	-42.1	81.8	78.0	22.0
Construction	2.7	0.45	1.5	-83.3	233.3	87.5	12.5
Wholesale & retail	4.4	0.06	3.8	-98.6	6233.3	45.8	54.2
Hotels & restaurants	2.8	0.9	1.8	-67.8	100.0	41.4	58.6
Transport, storage & communications	2.2	0.29	2.6	-86.8	796.6	87.7	12.3
Financial intermediation	0.6	0.32	0.7	-46.7	118.8	64.4	35.6
Real estate, renting & business	1.1	0.26	0.6	-76.4	130.8	65.1	34.9
Public administration & defense	7.8	8.9	8.3	14.1	-6.7	83.4	16.6
Education	3.1	2.9	3.5	-6.4	20.7	61.6	38.4
Health & social work	1.3	0.83	1.4	-36.2	68.7	67.7	32.3

Note: Year 2003 could not be included due to lack of disaggregated data for employment by economic activity.

Sources: *LFS 2006, 2009 & 2012*

Table 3 shows distribution of employment by some major economic activities and provides some indications for the year 2009's higher level of unemployment. Except for the manufacturing, majority of the industry and services' activities witnessed negative employment growth between 2006 and 2009. The highest hit sub-sector included wholesale and retail, construction, transport and communications, and hotels and restaurants. However, it is also evident that some of the economic activities despite providing relatively small proportion of employment achieved tremendous employment growth between 2009 and 2012. Except the agriculture share of employment, which is expected to decline with economic growth both industry and service sectors witnessed tremendous employment growth. The highest recoveries were made in wholesale and retail, transport and communication, construction, real estate, financial intermediations and hotels and restaurants.

In 2012 percentages of male and female employees by economic activity (table 3) shows that men were particularly prominent among 'transport, storage and communications' (87.7 per cent), 'construction' (87.5 per cent), and 'public administration and defense' (83.4 per cent). Women were prominent among 'agriculture and forestry' (61.6 per cent), 'manufacturing' (59.7 per cent) and 'hotels and restaurants' (58.6 per cent). In fact, women's prominence in agriculture has been on rise since 2009 (53 per cent).

Table 4 *Distribution of employed persons by nature of employment (%)*

	2006	2009	2012	% change		Percentage (2012)	
				2006-09	2009-12	Male	Female
Regular paid employee	23.4	20.4	23.8	-12.8	16.7	75	25.0
Casual paid employee	5.9	5.1	3.6	-13.6	-29.4	66	34.0
Unpaid family worker	53.7	51.8	41.1	-3.5	-20.7	30	70.0
Own account worker & self employed	16.9	22.4	29.7	32.5	32.6	51	49.0
Others (employer and piece, contract paid worker)	0.2	0.26	1.7	30.0	553.8	70	30.0

Note: Labour force survey defines regular paid employee as a person who performed some kind of work, during the reference period, for wage or salary, in cash or in kind; casual paid employee as one who work as and when s/he finds the job for which s/he gets paid either in cash or in kind; unpaid family worker as

one who helps in an economic enterprise operated by a member of his/her family without payment of wages or salary; own account worker & self-employed as one who operates his own enterprise all alone and neither employs anybody to operate his/her enterprise nor employed by anybody; employer as a person who employs at least one person in his/her enterprise directly or through another person whom he pays in cash or in kind; and piece, contract paid worker as one who has a temporary contract to do a particular piece of work, but is not an employee of the company who they are working for .

Source: *ibid*

In terms of nature of employment, table 4 shows that majority of the employed persons were still engaged in ‘unpaid family worker’; it was almost 2.5 times that of ‘regular paid employee’ in 2006 and 2009 and nearly 2 times in 2012. On the other hand, proportion employed under ‘own account worker & self-employed’ and ‘others’ (employer and piece contract worker) also increased sharply for both the intervals between 2006 & 2009 and 2009 & 2012. These indicators point towards increasing difficulty faced in getting work.

In 2012, males were 3 times employed in ‘regular paid work’ than females (as same as in 2009) while females were employed almost 2.5 times in ‘unpaid family work’ than males (it was about 1.5 times in 2009). Higher level of educational attainment shows greater likelihood of being employed in the ‘regular paid’ nature of employment. For instance in 2012, 30 per cent of the total employed with primary education (33,214) was employed in ‘regular paid’ (24.2 per cent in 2009) compared to 73.7 per cent (74.4 per cent in 2009) of the total employed with higher secondary education (17,991) and 84.6 per cent (87. 2 per cent in 2009) of total employed with bachelors degree (11,783).

Several studies point out that employment largely follows the pattern of typical economic development process marked by three distinct stages: an initial stage of agriculture dominance, an intermediate stage of industrial dominance and a final phase of service dominance. But Bhutan’s experience is somewhat different both in terms of her structural transformation and the impact on employment. Overall, the distinguishing feature of economic growth shows that despite achieving relatively high GDP growth rate it has not expanded employment adequately. This may be attributed to Bhutan’s pace of structural transformation and growth - leapfrogging directly from the agriculture to industry and services simultaneously (telescoping the normal phase) that hardly managed to create commensurable employment growth in the corresponding sectors nor could move successfully higher share of employment from agriculture to industry and

service sectors. It may be plausible to consider that such transformation had led to emergence of structural unemployment<sup>10</sup> in the labour market.

Presently, despite agriculture sector contributing about 16 per cent of GDP continues to be the largest employer (60 per cent) as the non - agricultural sectors are not able to generate enough employment to affect a shift of workforce. Continuation of such growth pattern disorients not only labour market but also affects labour productivity, which is essential for driving economy efficiently. Therefore, to achieve the goals of economic policy - sustainable development and promotion of gainful and productive employment, it needs reengineering in the pattern of economic growth to foster pro-employment growth. What actually matters most for Bhutan's pursuit of wellbeing and happiness is not only the aggregate economic growth alone but well balanced growth across sectors influencing employment generation and thereby, improving living standard of the people.

### **3 General labour market trends and outcomes<sup>11</sup>**

#### ***3.1 Labour supply***

In general, the utilization of labour can be gauged by looking at the commonly used measures like participation and unemployment rates, labour force and working age population (15 years and above).

As shown in table 5, the labour force, defined as the sum of the employed and unemployed witnessed gradual increase over the decade from 2003 to 2012. It numbered 336,391 in 2012, up nearly 77,400 (almost 30 per cent) on the 2003 labour force. The growth was mainly due to high fertility rate from the past years. However, the growth of labour force was far below the growth of working age population (47 per cent), which increased by around 166,400 from nearly 356,000 in 2003 to about 522,400 in 2012. In sharp contrast to labour force growth of nearly 1.5 times that of working population growth between 2006 & 2009 (due to increased labour force

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<sup>10</sup> It occurs when the labour market is not able to provide jobs due to mismatch in demand and supply of skills. It is hard to separate from frictional unemployment except that it lasts longer.

<sup>11</sup> Unless otherwise indicated, the labour market data used for discussion in this paper for 2003 year is based on Bhutan living standard survey (BLSS) 2003 and rests from respective labour force surveys. The definitions, time reference and methodology used for employment purpose in BLSS 2003 were same as regular labour force surveys. However, the sample size of BLSS 2003 was 4,120 households (58.25% urban) compared to 8,000 households (75% urban) for labour force surveys 2006 & 2009, and 12,000 households (75% urban) for labour force survey 2012. The reason for focusing more households in urban areas is because urban population is considered more heterogeneous.

participation rate), the labour force growth slowed down between 2009 and 2012 by 3 times that of the growth of working age population. Besides, it is expected to shrink in the long run due to falling fertility rate and changing composition of demographic structure among others.

The labour force participation rate (LFPR), which is defined as the ratio between the labour force and the working age population shows the share of people entering the labour market for work. The overall pattern of LFPR from 2003 to 2012 declined sharply (down 8.4 percentage points); it fell from 72.8 per cent in 2003 to 61.8 per cent in 2006 (down 11 percentage points), then gradually rose to 68.5 per cent in 2009 and again drifted to 64.4 per cent in 2012 (down 4.1 percentage points from 2009).

Observed by gender, the LFPRs for both the gender witnessed declining trend since 2003 due to declining trend in general. Though females' LFPRs were relatively lower than males the gap narrowed steadily or converged partly due to sharp fall (15.3 per cent) in the participation rates of males compared to females (7.6 per cent) between 2003 & 2012. Therefore, the share of females in the total labour force actually increased from 35.8 per cent in 2003 to 48.7 per cent in 2009 and 51 per cent in 2012.<sup>12</sup>

Table 5 *Labour force and participation rates by gender and area*

Year	2003	2006	2009	2012
Working age population	356,000	372,100	475,400	522,367
Total labour force	259,000	230,100	325,700	336,391
Labour force, male	131,700	130,115	166,800	164,484
Labour force, female	127,300	99,985	158,900	171,907
Labour force participation rate (LFPR), %	72.8	61.8	68.5	64.4
LFPR, male (%)	77.6	69.8	72.8	65.7
LFPR, female (%)	68.4	53.9	64.6	63.2
LFPR, rural (%)	76.3	63.5	71.9	66.6
LFPR, urban (%)	56.6	57.2	63.2	59.2

Sources: *LFS 2006, 2009 & 2012 & BLSS 2003*

In terms of area, LFPRs of rural were continuously higher than urban due to larger proportion of the population residing in the rural areas. However, like in many

<sup>12</sup> The overall LFPR in 2009 actually increased by 6.7 percentage points from 2006, which was mainly driven by higher increased in female LFPR (up 10.7 percentage points from 2006).

developing countries, rural Bhutan is also witnessing gradual decrease in her labour force due to rapid urbanization and rural to urban migration. In fact from 2003 to 2012, the average growth in rural LFPR fell by 3.7 per cent annually whereas urban LFPR grew by 1.7 per cent.

Chart 1 *Lifecycle profiles of LFPRs by age group (male)*

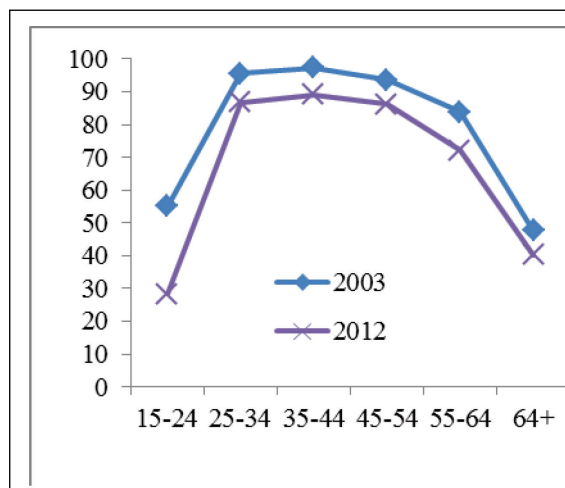
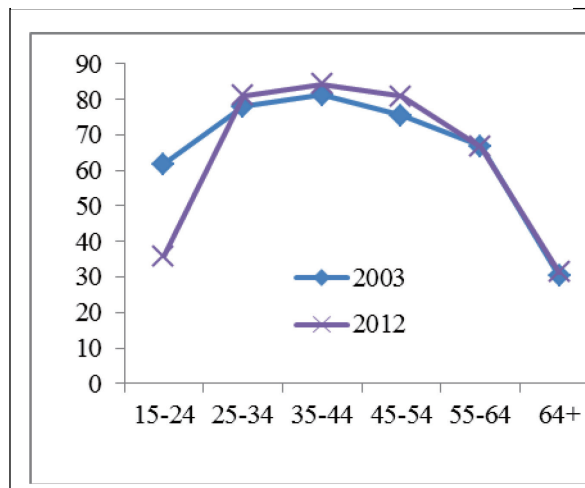


Chart 2 *Lifecycle profiles of LFPRs by age group (female)*



Source: Author's calculation based on *BLSS 2003 and LFS 2012*

Chart 1 and 2 illustrate lifecycle profiles of LFPR for males and females by age group. In 2003, the participation rates of males increased until 35-44, then slightly flattened, and started to decline from 45-54. The shape of the lifecycle profile for males hardly changed even in the recent past except that LFPR for all age-group has fallen in 2012 compared to 2003. Unlike the trend in industrialized societies<sup>13</sup>, the lifecycle profile for females particularly among the high reproductive age group (25-34) in Bhutan does not show an M-shaped curve, indicating that women do not necessarily leave the labour market particularly during the years of child rearing. But it is interesting to note that compared to 2003 though the LFPR among youth females has declined in 2012 it has risen for 25-54 age group. Like males, the participation rates of females increase until 35-44, then slightly flatten, and start to decline from 45-54. In the case of older age group (64+), the participation rates for males between 2003 and 2012 decreased by 7.5 percentage points while it increased slightly for females by one percentage point.

<sup>13</sup> For instance in Japan, an M-shaped curve for females, which used to begin from 20-24 ages in 2000 has shifted to 25-29 ages in 2010, thereby, delaying their marriage, child bearing and flattening the curve (Kawata *et al* 2010).

### 3.2 Unemployment<sup>14</sup>

Unemployment according to the Labour Force Survey conducted annually by the Ministry of Labour and Human Resources (MoLHR) is defined as persons, 15 years and above who, during the reference period, did not work even for one hour, had no job or business, but ‘available for work’ and ‘seeking work’. A high rate of unemployment indicates that there are many people looking for work but not finding any.

Chart 3 Unemployment rates (%) by gender and area



Sources: LFS 2006, 2009 & 2012 & BLSS 2003

Generally, unemployment rates fluctuated over the years; it reached at its historical height of 4 per cent (12,900 persons) in 2009 and gradually drifted to 2.1 per cent (6,904) in 2012. A breakdown by gender shows that unemployment rates were generally higher for females since 2006: in 2012, female unemployment rate was 1.2 times higher than that of males compared to 2 times in 2009 and 1.5 times in 2006. By area, unemployment in Bhutan is an urban phenomenon mainly because agriculture still continues to provide higher employment for majority of rural populace. Urban employment rates were 2.2 times that of national level in 2003, 1.9 times in 2009 and 1.7 times in 2012.

### 3.3 Underemployment

According to the ILO, underemployment is identified as subcategory of the

<sup>14</sup> Unemployment rate is the number of unemployed people expressed as a percentage of people in the labour force.



employed population who worked or had a job during the reference week but was willing and available to work “more adequately”. Underemployment is typically widespread in underdeveloped economies.

Based on the above definition, the underemployed numbered 9,000 in 2010 and 39,154 in 2012.<sup>15</sup> The underemployment rate defined as the ratio between the underemployed and total labour force increased by 8.9 percentage points between 2010 (2.7 percent) and 2012 (11.6 per cent). By age group, 25-44 ages accounted for 57 per cent of the total underemployed in 2010 and 55 per cent in 2012. Underemployment rates were higher among the female workforce. In general, underemployment is highly concentrated in rural areas. More than 80 percent of the total underemployed indicated that their main reason for looking for additional job was to have ‘more income’.

Underemployment is also defined in terms of number of hours worked in a week. Though there is no defined number of hours per week to gauge underemployment in Bhutan some literatures point out practices in other countries of using working hours less than 30, or 40 hours per week as underemployment. If working less than 30 hours per week is considered, underemployed persons increased dramatically from around 8,300 in 2006 to 24,500 in 2009 and 29,411 in 2012.<sup>16</sup> The underemployment rates increased from 3.6 per cent in 2006 to 7.5 per cent in 2009 and 8.7 per cent in 2012. However, if working less than 39 hours per week is considered, the underemployed persons increased substantially from 12,300 in 2006 to 48,055 in 2012 representing underemployment rates of 5.3 per cent and 14.3 per cent respectively. The share of underemployed (working less than 39 hours a week) in total employment rises from 5.5 per cent in 2006 to 12.7 per cent in 2009 and further to 14.6 per cent in 2012.

### **3.4 Quality of employment**

People would be technically employed during the survey reference period. But the kind of activities they were engaged with might be either drudgery or earning less than the national minimum wage. This naturally creates dissatisfaction about their employment. Table 6 shows that proportion of the employed persons who worked more than 80 hours in a week increased by 77.3 per cent from 9.7 per cent in 2006 to 17.2 per cent in 2012. Observed by gender, proportion of employed females who worked more than 80 hours in a week in 2012 increased by 101 per cent compared to 45 per cent for

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<sup>15</sup> Figures for underemployed based on this definition are not available prior to 2010.

<sup>16</sup> Figures for 2003 could not be compared due to differences in the category of hours worked.

males on the 2006 rates. Of the regular paid employees, 43.4 percent earned less than Nu. 3000 a month in 2006 though it improved significantly in 2012 (almost 32 per cent on the 2006 rate). In terms of gender, while the proportion of males decreased by 53.3 per cent, it increased for females by 47.5 per cent between 2006 and 2012. This trend shows that females are more disadvantaged compared to male counterparts in the labour market.

Table 6 *Employed persons working 80+ hrs a week & regular paid employees earning less than Nu. 3000 a month, by gender*

Year	2006	2012	% change
<i>Employed persons working 80+ hrs a week (total)</i>	21600 (9.7)	56811 (17.2)	77.3
Proportion of employed male (%)	9.2	13.3	44.6
Proportion of employed female (%)	10.4	20.9	100.9
<i>Proportion of regular paid earning &lt;3000 a month (%)</i>	43.4	29.6	-31.8
Proportion of regular paid males (%)	46.9	21.9	-53.3
Proportion of regular paid females (%)	27.8	41.0	47.5

Note: Parentheses show proportion of employed persons who worked 80+ hours in a week.

Sources: *LFS 2006 & 2012*.

## 4 Analysis of the youth labour market

### 4.1 Labour supply

As table 7 shows, overall labour force participation rates for young people decreased sharply by about 45 per cent from around 59 per cent in 2003 to 32.4 per cent in 2012; it fell by 28.8 per cent between 2003 & 2006 and 30.6 per cent between 2009 & 2012. Whereas, participation rates among adults except for 2006 remained relatively stable. Overall, participation for young people fell by 26.3 percentage points compared to only 1.8 percentage points for adults between 2003 and 2012. Therefore, LFPR among youth in Bhutan is much below the regional (South Asia) and world averages of 48.5 per cent and 41 per cent, respectively in 2012.<sup>17</sup> Observed by gender, female participation rates were relatively higher than their male counterparts though both were witnessing a declining trend. Between 2003 and 2012, LFPR for males decreased sharply by 48.7 per cent, whereas, it decreased by 41.9 per cent for females. Breakdown of youth shows that participation rates of the teenagers (15-19 years) were far lesser

<sup>17</sup> ILO, Global employment trends for youth 2013.

compared to the young adults (20-24 ages); teenagers' participation rates were 2 times lesser than the young adults for 2006 and 2009 but became 4 times lesser in 2012. This may be due to higher proportion of teenagers participating in school education and training system.

Table 7 *Youth labour force participation rate, proportion of population and labour force (%)*

Year	2003	2006	2009	2012
LFPR, total	58.7	41.8	46.7	32.4
LFPR, male	55.2	40.7	42.9	28.3
LFPR, female	61.8	42.7	50.1	35.9
LFPR, aged 15-19	n.a	26.3	31.6	13.3
LFPR, aged 20-24	n.a	57.0	65.1	54.3
Adult LFPR (above 25 ages)	78.8	70.6	78.5	77.0
Youth in total labour force	24.3	19.2	21.3	14.2
Youth in working age population	30.1	29.2	31.3	28.3

Source: *ibid*

Overall, the youth share of total working population decreased from 30.1 per cent in 2003 to 28.3 per cent in 2012 (down 1.8 percentage points). Therefore, the youth share of total labour force also decreased from 24.3 per cent in 2003 to 14.2 per cent in 2012 (down 10 percentage points). However, fall in the total labour force is far greater than the fall in working age population. All these trends indicate declining youth labour supply which mainly stems from both declining fertility as well as increasing number of young people attending school, staying longer in the education and training, thereby, delaying seeking employment.

#### **4.2 Employment**

Between 2003 and 2012, the youth population grew by nearly 38 per cent while the youth aggregate employment fell by 25.4 per cent (table 8). On the other hand, the youth employment to population ratio (proportion of young people that work amongst all young people) also decreased from 55.6 per cent in 2003 to 30.1 per cent in 2012 (down 25.5 percentage points). In 2012, only 30 per cent of the total youth population was employed compared to a little over 42 per cent in 2009 and more than half the total youth population in 2003. This indicates that currently less young people are employed compared to their total population size ten years ago. The decreasing youth employment to population ratio could also imply that more young people are voluntarily postponing employment perhaps to continue in school longer. But one thing is certain that

employment prospect for the young population compared to adults are also getting scare and limited like the general trend across the world.

Table 8 *Youth population, employment and unemployment*

	2003	2006	2009	2012	% change (2003-2012)
Youth population	107,192	108,800	143,000	147,776	37.9
Youth in total population (%)	20.0	20.0	21.0	20.0	
Youth employment	59,600	39,900	60,500	44,458	-25.4
Youth employment to population rate (%)	55.6	36.7	42.3	30.1	
Youth unemployment number	3,300	4,300	9,000	3,475	5.3
Youth unemployment rate (%)	5.3	9.7	12.9	7.3	37.8

Source: *BLSS 2003 & LFS 2006, 2009 & 2012*

Table 9 *Employment distribution among age-group and sectors(%)*

Age-group	2009			2012		
	Agriculture	Industry	Services	Agriculture	Industry	Services
15-19 (teenagers)	79.2	5.1	12.0	76.8	7.4	13.5
20-24 (young adults)	61.4	8.7	23.1	61.0	9.6	26.9
15-24 ages (youth)	67.5	7.5	19.3	64.4	9.1	24.0
25-29	47.1	10.5	35.9	48.1	11.3	38.5
30-54	63.4	6.3	25.5	60.0	9.1	28.8
Total employment (all age groups)	204,291	20,282	88,325	204,966	28,486	95,608

Note: Sectoral distribution does not add up to 100 because 'others' category is left out. Year 2003 and 2006 are not included due to lack of data on employment by nature and economic activities by age-group.

Sources: *LFS 2009 & 2012*.

Table 9 shows that higher proportion of employed youth is generally engaged in agriculture (little over 3/5<sup>th</sup>) which is very likely dominated by informal employment and often characterized by unpaid family work that is very prevalent in developing regions. Between 2009 and 2012, while the share of youth employed in agriculture declined by 3.1 percentage points, it increased by only 1.6 percentage points in industry and 4.7 percentage points in services. The service sector provides employment next to agriculture, which is about 1/5<sup>th</sup> of the total youth employment.

Disaggregation of youth data further reveals that nearly 4/5<sup>th</sup> of the employed teenagers were in agriculture compared to 3/5<sup>th</sup> among the young adults. Whereas, young adults employed in services were 2 times more that of teenagers. However, the employment pattern shifts in favour particularly for the age-group 25-29 which accounted for higher employment share in services and industry compared to all other age-group. For instance, nearly 2/5<sup>th</sup> of total employed between 25-29 ages were in services compared to nearly 1.5/5<sup>th</sup> of those employed within the age group of 30-54.

Table 10 shows that agriculture and forestry continued to provide larger share of employment to youth as well though it witnessed a decrease of 5.7 per cent between 2009 and 2012. Manufacturing and public administration & defense, which provided higher employment next to agriculture, also witnessed a decrease of 16.7 per cent and 34.8 per cent, respectively between 2009 and 2012. It is important to underscore that most of the major economic activities that employed significant share of youth in fact saw negative growth. On the other hand, some of the economic activities though accounted for relatively small share of employment witnessed impressive employment growth. Wholesale and retail followed by transport, storage & communications recorded dramatic improvement. Other activities like, real estate renting & business and construction also witnessed tremendous growth as well.

Table 10 *Youth distribution of employment by major economic activity (%)*

Major economic activity	% change			Percentage (2012)	
	2009	2012	2009-12	Male	Female
Agriculture & forestry	68.0	64.1	-5.7	34.0	66.0
Manufacturing	6.6	5.5	-16.7	32.1	67.9
Electricity, gas and water supply	0.4	1.7	325.0	65.5	34.5
Construction	0.4	1.9	375.0	76.6	23.4
Wholesale and retail	0.04	4.1	10150.0	32.6	67.4
Hotels and restaurants	1.2	2.7	125.0	35.4	64.5
Transport, storage and communications	0.12	1.9	1483.3	79.9	20.1
Financial intermediation	0.15	0.6	300.0	40.2	59.8
Real estate, renting and business	0.1	0.9	800.0	45.7	54.3
Public administration and defense	6.6	4.3	-34.8	64.3	35.7

Source: *ibid*

Depending on the industrial nature, a difference is also seen in the employment tendency between young males and females. In 2012, percentages of males and females by major activities show that males were particularly prominent among transport, storage & communications (79.9 per cent), construction (76.6 per cent) and electricity, gas and water supply (65.5 per cent). Females were prominent among manufacturing (67.9 per cent), wholesale and retail (67.4 per cent) and agriculture and forestry (66 per cent).

Table 11 *Employment status among age-group (%)*

Year	2009							2012				
Age-group	Regular paid	Casual paid	Unpaid family work	Own account/self employed	Others			Regular paid	Casual paid	Unpaid family work	Own account/self employed	Others
15-19	8.3	3.9	68.7	19.1	0			10.7	5.1	56.9	26.0	1.3
20-24	23.3	5.4	51.7	19.2	0.4			25.1	4.1	44.8	23.3	2.7
15-24	18.1	4.9	57.6	19.1	0.3			22.0	4.0	47.0	24.0	2.0
25-29	34.5	5.3	40.1	20.0	0.1			36.5	3.8	36.4	21.4	1.8
30-54	21.8	5.1	49.2	23.7	0.3			25.3	3.8	38.3	30.9	1.7

Source: *ibid*

Further, an observation of employment by status (table 11) shows that share of employed youth in 'regular paid' though small (about 1/5<sup>th</sup>) increased from 18.1 per cent in 2009 to 22 per cent in 2012 (up nearly 4 percentage points). However, it also witnessed increase in 'own account/self-employed' from 19.1 per cent to 24 per cent (up by nearly 5 percentage points) during the same period. On the other hand, share in the 'unpaid family work' though still high declined sharply from 57.6 per cent in 2009 to 47 per cent in 2012 (down by 10.6 percentage points). According to the ILO, greater proportion of employment among youth in 'unpaid family work' and 'own account/self-employed' is an indication that youth are facing difficult job-entry transitions.<sup>18</sup>

Disaggregation of youth employment also reveals that the young adults were employed 2 times more in the 'regular paid work' than that of teenagers while more

<sup>18</sup> ILO, 2004, p.17

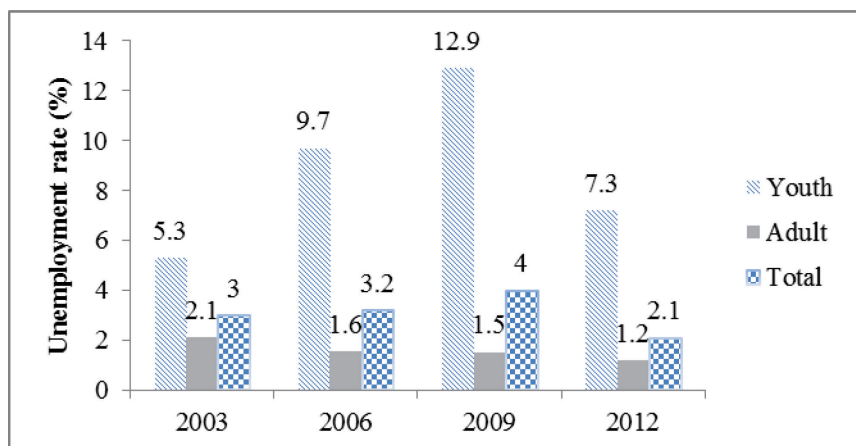
than half of the employed teenagers were engaged in ‘unpaid family work’. Once again, employment status shifts in favour of 25-29 age group; about 35 to 37 per cent of total employed were in regular paid work.

### 4.3 Unemployment

The most significant feature of the unemployment problem is reflected in the rates of youth unemployment rather than in overall unemployment as the proportion of unemployed from 2003-2012 was persistently larger among the youth group. Youth unemployed increased from 3,300 (5.3 per cent) in 2003 to its historical high of 9,000 (12.9 per cent) in 2009 and to about 3,500 (7.3 per cent) in 2012. Though Bhutan’s average youth unemployment rate of 9.65 per cent from 2009 to 2012 is comparatively better than that of the world youth averages of 12.47 per cent it is slightly higher from the South Asia average of 9.4 per cent.<sup>19</sup> As shown in chart 4, the youth unemployment rate of 7.3 per cent in 2012 represented nearly 38 percent increase on the 2003 rate though it decreased by 43.4 per cent on the 2009 rate.

However, the youth share of total unemployed increased dramatically from 44 per cent in 2003 to nearly 60 per cent in 2006 and 70 per cent in 2009, which then drifted to 50.3 per cent in 2012. This is particularly a worrisome trend considering that in 2012 youth made up only 28.3 per cent of the working age population (30.1 per cent in 2003) and 14.2 per cent of the total labour force in 2012 (19.2 per cent in 2003). The unemployment rate for youth in 2012 was about 3.5 times the national rate compared to 1.8 times in 2003.

Chart 4 Unemployment rates (total, youth and adult), %



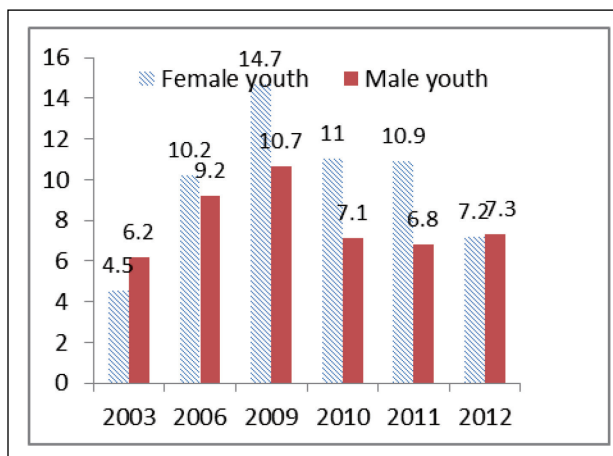
Source: BLSS 2003 & LFS 2006, 2009 & 2012

<sup>19</sup> ILO, 2013, p.80

The differences or discrimination in employment between young and adult workers can be best quantified by the ratios of the youth-to-adult unemployment rates (see chart 4). For instance, the youth unemployment rate in 2003 was only 2.5 times that of the adult unemployment rate but rose to its historical high of 8.6 times in 2009 and drifted slowly to 6 times in 2012. This indicates that young people’s chance to be unemployed is 6 times that of adults in 2012. Comparing to the ILO’s projected ratios of 2.8 for the world and 4 for the South Asia in 2012, Bhutan showed greater variance between the youth and adult situation in finding work.<sup>20</sup>

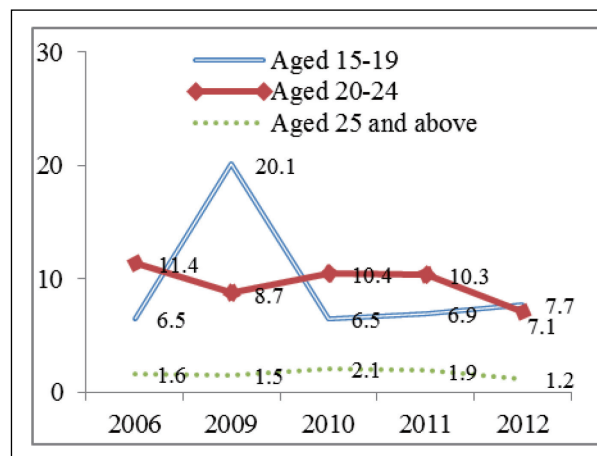
Apart from young people facing grater barriers than adults in finding employment they also demonstrate anomaly in unemployment based on gender, age, area and educational level. As evident from chart 5, female youth unemployment generally exceeded that of male though the gap, which were wider from 2009-2011 narrowed and reached a relative balance in 2012. Nonetheless, in absolute number the unemployed female youth (2,083) was still higher than male (1,392) despite female witnessing slightly lower unemployment rate than male in 2012.

Chart 5 Unemployment rates of youth by gender (%)



Sources: BLSS 2003 & LFS 2006, 2009, 2010, 2011 & 2012

Chart 6 Unemployment by age group (%)



Sources: LFS 2006, 2009, 2010, 2011 & 2012

Note: Unemployment data by age group for 2003 is not available.

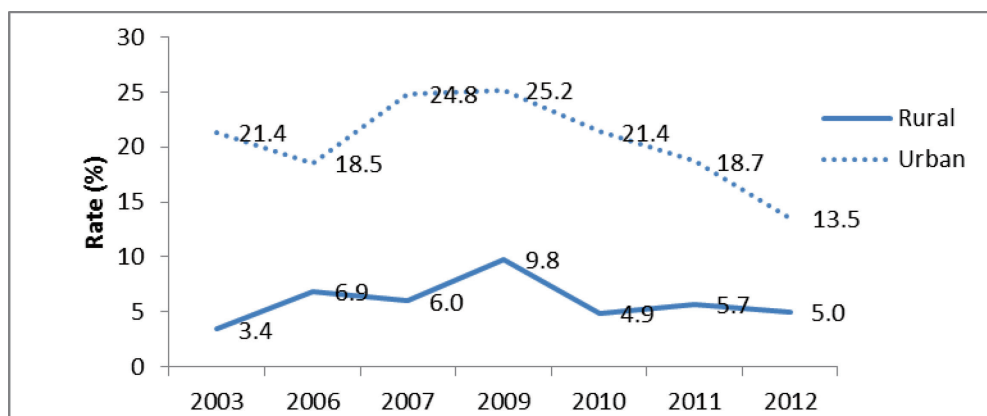
The common trend that unemployment rate tends to fall with age holds partially only after attaining adulthood. Until then, the unemployment rates of young adults as shown in chart 6 were normally higher than that of teenagers, which in turn showed significantly higher unemployment rates than adults. From 2006-2012, the

<sup>20</sup> Ibid, p.84



average share of teenagers in total unemployed youth was 29 per cent compared to an average of 71 per cent for the young adults. Therefore, general reference to the youth employment problem, as if all or majority of young persons were having difficulty in obtaining jobs, seem to misinterpret the nature of the difficulty. Severe employment problems are actually concentrated among the age group of young adults.

Chart 7 Youth unemployment by area (%)



Sources: *BLSS 2003 & 2007, LFS 2006, 2009, 2010, 2011 & 2012*

Like the general trend, youth unemployment is also an urban phenomenon which grew from 21.4 per cent in 2003 to reach its historical level of 25.2 per cent in 2009 and gradually drifted to 13.5 per cent in 2012 (chart 7). In fact, the youth unemployment in urban was 2.7 times that of rural in 2012 compared to 6.3 times in 2003 – making significant improvement in narrowing the gap.

Table 12 Unemployment by educational levels (%)

Education level	2006	2009	2012	% change 2006-2012
No schooling	22.2	30.0	22.0	-0.9
Primary (up to 6 grade)	15.3	13.8	12.6	-17.6
Junior & high	41.7	32.3	30.0	-28.0
Higher secondary	13.9	14.6	20.4	46.8
Above secondary	6.9	3.8	13.2	91.3

Source: *ibid*

Note: Data for unemployment by educational levels for the year 2003 is not available. The total percentages will not add up to 100 because other category of educational level (NFE and religious professionals are not included).

As shown in table 12, unemployment is also related to educational level.<sup>21</sup> From 2006 to 2012, the proportion of unemployment was persistently higher for those with junior and high school education followed by no schooling and lesser for those with above secondary education. This may confirm the general incidence of higher levels of education reducing the risk of unemployment. However, between 2006 and 2012, while the unemployment for those with primary and high school education reduced by 17.6 per cent and 28 per cent respectively, they increased significantly for above secondary and higher secondary qualifications by 91.3 per cent and 46.8 per cent respectively. There are two plausible reasons for the tremendous change in growth rate of unemployment for those above secondary education. Firstly, it is for sure that the supply of educated youth has outpaced the supply of jobs, and secondly, it could be that better educated young people could afford to wait to find better jobs matching their expectations. It has been a general trend that many job seekers still prefer to get employed in the government followed by corporations and private enterprises.

#### **4.4 Youth inactivity**

Chart 8 gives a cursory glance of the youth population by labour force status which shows that the share of youth in 'not in labour force' or, 'economically inactive population'<sup>22</sup> grew nearly by 66 per cent (55,545 persons) between 2003 (44,300) and 2012 (99,845) indicating that significant proportion of youth remained out of labour market. Youth accounted for 45.7 per cent of the total 'not in labour force' (97,000) in 2003, 53.2 per cent (149,110) in 2009 and 53.7 per cent (185,976) in 2012. By gender, female shares of inactive youth accounted for 49.4 per cent (21,900) in 2003, 53.5 per cent (32,900) in 2006, 49.6 per cent (39,400) in 2009 and 51 per cent (49,833) in 2012. Generally, youth inactivity continues to be highest in the Middle East and North Africa and in South Asia owing to the low levels of female labour force participation due to socio-cultural reasons.<sup>23</sup> In Bhutan, significant proportion of youth 'not in labour force' was engaged in education; 81 per cent in 2003 and 91 per cent in 2012.

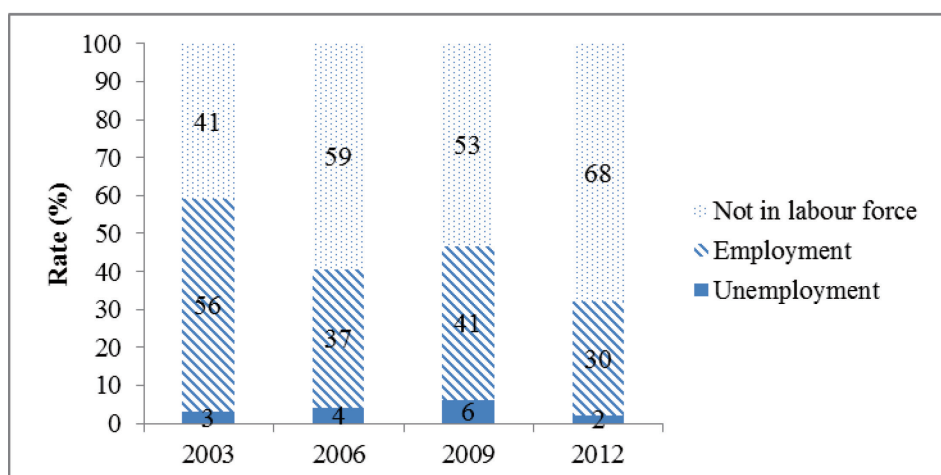
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<sup>21</sup> Though the unemployment by educational level and age-group were not available, we can infer their age groups from educational levels. According to the general education system, ages 6-12 are primary school going children, 13-14 are lower secondary school age (grade7-8), 15-16 years are middle secondary school age (grade 9-10), and 17-18 years are higher secondary school age (grade 11-12) in Bhutan.

<sup>22</sup> It is defined as that cohort of population who did not take part in the production of goods and services during the reference period of the survey. They are neither employed nor unemployed for various reasons like study, household duties, old or retired, too young, physically challenged, etc.

<sup>23</sup> ILO, 2006, p.28

Chart 8 Distribution of the youth population by labour force status (%)



Source: BLSS 2003 & LFS 2006, 2009 & 2012

Chart 8 shows that the youth inactivity rates<sup>24</sup> increased by 63.7 per cent between 2003 (41.3 per cent) and 2012 (67.6 per cent). This is mainly because of increased participation of youth in the education which is evident from the improved gross enrolment ratios.<sup>25</sup> However, it is equally important to find out the share of youth who are neither in education nor employment (NEET, or vulnerability rate) as a proxy to capture non-utilized labour potential of the youth population. Though NEET rates improved significantly from 16.5 per cent (17,751) in 2003 to 8.32 per cent (12,301) in 2012<sup>26</sup> it represents a segment of population which requires most attention and support.

#### 4.5 Underemployment

Table 13 Underemployment among employed persons (overall & youth), who looked for additional jobs by gender (%)

Year	2010			2012		
	Male	Female	Total	Male	Female	Total
Youth underemployment (%)	11.3	21.6	15.6	8.5	13.6	12.0
Total underemployed for all ages	5300	3700	9000	12652	26502	39154
Total underemployment (%)			2.7			11.6

Note: Number of employed persons who looked for additional job by age group is available only from 2010 onwards. Source: *ibid*

<sup>24</sup> It means 100 minus the youth labour force participation rates.

<sup>25</sup> In 2012, gross enrolment ratios were 118 per cent for primary, 107 per cent for lower secondary and 80 per cent for middle secondary. MoE, p.6

<sup>26</sup> Sum of unemployed youth and inactive youth other than participation in education expressed as a percentage of total youth working-age population.

Youth accounted for 15.6 per cent of the total underemployed in 2010 and 12 per cent in 2012 (down 3.6 percentage points). However, the share of underemployed youth in its overall employment grew drastically from 2.8 per cent (1400) in 2010 to 10.5 per cent (4695) in 2012. Among the underemployed youth, females were almost 2 times that of males in 2010 and 1.6 times in 2012.

#### **4.6 Nature of the youth employment problem**

From the preceding discussion of the youth labour market in particular, it is evident that Bhutan has an opportunity to reap ‘demographic bonus’ from its youth bulge provided jobs are available for the increasing working age population.<sup>27</sup> However, it is apparent that current pattern of growth and economic structural transformation do not create adequate jobs. Thus, unemployment, particularly among the youth has become a major concern and priority area for the policy makers. Though it merits separate research to actually investigate multifaceted dimensions and causality surrounding youth unemployment this section only attempts to distill some of the primary characteristics of youth employment problem from the above discussion and also presents brief findings from the job seekers’ survey carried out in 2012 and 2013 (box 1).

1. Generally, unemployment is more prevalent among the youth; they are 6 times more likely to be unemployed than adults (2012). More female youths are unemployed compared to their counterparts.
2. Nature of the difficulty in obtaining jobs differs by age groups. Youth unemployment is largely concentrated among young adults than teenagers who on average accounts for nearly 70 percent of the total unemployed youth.<sup>28</sup> Therefore, the notion that unemployment is severe for all youth must not be misunderstood and misinterpreted.
3. Youth unemployment in urban areas is generally higher; it is almost 3 times the rural in 2012. As most employment in rural areas is in small-scale agriculture with low productivity, rural exodus to find a job with higher remuneration in urban areas will be a big challenge.

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<sup>27</sup> In a country with a youth bulge, the country’s dependency ratio (ratio of the non-working age population to the working age population) is expected to decline; 60.6 per cent in 2005, 54.8 per cent in 2010 and 52.6 per cent in 2015 (NSB, 2006).

<sup>28</sup> This average is for the year 2006, 2009, 2010, 2011 and 2012 where segregated data is available for youth.

**Box1: Brief findings of the job seekers' survey**

Profiles of respondents (job seekers)	Total	Male	Female
Total respondents	240	107	133
14-19 ages	21	10	11
20-24 ages	179	73	106
25 and above ages	40	24	16
Class 10 education qualification	32	7	25
Class 12 education qualification	79	40	39
University education qualification	118	56	62

Source: Labour Market Information Division & Policy & Planning Division, MoLHR, 2013: *Job seekers' survey, November 2012-February 2013*.

The survey administered for 240 job seekers shows that majority (74.5 per cent) of the job seekers is within 20-24 age group and more females are looking for employment. Observed by educational levels, 49 per cent (N=118) of the respondents completed university degree followed by 33 per cent (N=79) class 12 education. In their transition to employment, only 28.3 per cent stayed with their parents and the rest with relatives, friends and self. Regarding work experience, 36 per cent (N=87) had worked before and mostly in private enterprises; nearly 75 per cent of them comprised of university and class 12 educational qualifications.

Out of 65 per cent (N=156) who were aware of employment promotion trainings organized by the Ministry of Labour and Human Resources, only 28 per cent had availed training opportunities. Out of 50 per cent who had registered with the Employment Service Centre (ESC), females accounted almost 1.5 times that of males and the university graduates were almost twice that of class 12 graduates. But only 34 per cent (N=82) of the respondents availed ESC services and 40 per cent of them reported 'very satisfied' with ESC services.

Observed by duration of job search, nearly 16 per cent looked for employment between 6-12 months and 24.5 per cent for more than one year. Together, 40.5 per cent (N=97) looked for employment for more than 6 months and females comprised nearly 59 per cent. In terms of proportion of educational levels and duration of job search, nearly 23 per cent of university graduates' respondents (118) looked for job for more than 6 months compared to 62 per cent of class 12 graduates (79) and nearly 47 per cent of class 10 graduates (25). 54 per cent of the total respondents reported 'desperate to get a job' and 59 per cent were females.

Note: The survey questionnaire was distributed to those job seekers who walked into ESC. This finding should not be confused with the overall labour force survey results; as a pocket study, it only indicates that the university graduates are relatively more aware of ESC and registering with it for services.

4. Though youths with junior and high school education still account for higher proportion of unemployed youth the shares of unemployed with higher secondary and tertiary education are also rising sharply.
5. Agriculture largely accounts for 3/5<sup>th</sup> of the total youth employment compared to 1/5<sup>th</sup> in services and 1/10<sup>th</sup> in industry.
6. Though the share of youth employed in unpaid family work is declining steadily the corresponding increasing share in own account/self-employed indicates greater difficulty in job-entry.
7. Significant proportion of youth remain ‘out of labour force’ pursuing education and training and thereby, deferring their search for employment. But more worrisome is the higher rate of NEET (untapped potential of young people) that require greater focus.
8. Proportion of youth underemployed is increasing and female youth shows greater idleness.

## **5 Unemployment (youth): Causes and Effects**

### ***5.1 Plausible explanation for low unemployment (general)***

Over the decade, overall unemployment rates in Bhutan have been relatively low, which are influenced significantly by various determinants. First, the standard definition of employment (based on ILO standard) includes persons who are engaged in economic activity for at least one hour on any day during the reference week naturally overestimates overall employment scenario. This is because Bhutan is largely an agrarian society and her economic circumstances generally necessitate majority of the work force to be engaged in some forms of economic activities. Second, the definition of employment also includes ‘own-account workers’/‘self-employed’ and ‘unpaid family workers’, most of whom are engaged in agriculture accounting as high as 60 per cent of the employed in all years.<sup>29</sup> Third, overall labour force participation rates are pushed down (exerting lesser pressure on employment) mainly due to fall in fertility rate (2.1 per cent in 2012 against 5.9 per cent in 1995), fall in the share of young labour force and increase in the size of economically inactive population<sup>30</sup> with greater proportion of youth and women, where significant proportion of latter engages in household and family work. Fourth, like in many developing countries the informal sector, which is largely associated with agriculture, provides alternative employment for

<sup>29</sup> In Thailand, they accounted for as high as 56 percent of all employment in 2003 (Yukongdi, 2005)

<sup>30</sup> Economically inactive increased from 97,000 (61 percent females) in 2003 to 185,976 (54 percent females) in 2012 – an increase by nearly 92 percent.

those who cannot find work in the formal sector - roughly accounting for 50-60 per cent of the employed. Finally, significant number of employed are also underemployed when gauged by number of working hours and, or looking for additional jobs.

## **5.2 Explanations of youth unemployment**

Despite wealth of studies on unemployment by individual and cross countries it is not easy to provide credible accounts of the determinants of unemployment. The underlying causes of the increase in youth unemployment are complex and manifold including demographic factors, macroeconomic, education and training, personality (self-esteem, work ethics, motivation, etc.) and so forth. However, studies often point out a strong correlation between the overall level of unemployment and the level of youth unemployment. In the case of Bhutan too, strong correlation exists (0.85) and therefore, to a large extent, high youth unemployment is a result of high unemployment overall. But what is more worrisome in the current context is that greater proportion of youth is confronted with an increasingly difficult employment situation. Some of the reasons associated with the relatively high rate of youth unemployment are as follows:<sup>31</sup>

1. *Demographic developments*: Crowding associated with the increased size of the youth cohorts is a major contributing factor to youth unemployment resulting from baby boom periods in the 1980s and 1990s.<sup>32</sup> There were 145,810 young people in 2005 (observed), 151,366 in 2010 and projected around 146,021 in 2015. Similarly, aged 24 years and below accounted for 56 per cent of the total population in 2005, 52.3 per cent in 2010 and projected around 48.9 per cent in 2015 – showing great potential for future increase in the youth labour force. Therefore, from demographic view point, this crowding has influence in exerting pressure on the employment level; increasing youth unemployment as the members of the baby boom generation is faced with increased competition with their contemporaries.
2. *Expansion of education and growth of school enrolment*: Table 14 shows that due to tremendous progress in the education sector, between 1990 and 2012. number of schools increased by nearly 183 per cent (including private schools) and enrolments by 112.5 per cent in primary education, nearly 218 per cent in secondary and 5085 per cent in higher secondary thereby, enhancing the access to general school

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<sup>31</sup> Some of them were also identified in the National Youth Policy, 2011, MoE, p.20 & National Employment Policy (draft), 2012, MoLHR, p.8

<sup>32</sup> The total fertility rate was 6.5 in 1991, 5.59 in 1994 and 2.1 in 2012

education dramatically. As a result, the gross enrolment ratios in 2012 reached 118 per cent for the primary, 107 per cent for lower secondary, 80 per cent for middle secondary and 53 per cent for higher secondary.<sup>33</sup> However, despite significant improvement in the access to higher and tertiary education, on average, only about top 40 per cent from class 10 and likewise top 40 per cent from class 12 go to public higher secondary schools and Royal University of Bhutan (RUB), respectively.<sup>34</sup> The tapering shape of education from general to tertiary and marked increase in the aggregate number of students at the lower levels of education is sharply increasing inflows to the existing stock of unemployment, thereby, further aggravating the employment situation when not matched by adequate outflows from unemployment.

Table 14 *Number of schools and enrolments, 1990 & 2012*

Year	Primary	Secondary	Higher secondary	No. of schools
1990	52,029	15,984	294	234
2012	110,575	50,828	15,244	662
% change	112.5	217.9	5085.0	182.9

Note: Number of primary schools also included extended classrooms. For 1990, primary also includes community schools, secondary includes junior and high schools, and higher secondary includes only Sherubtse college's grade 11&12 students.

Sources: 7<sup>th</sup> Five Year Plan document, table 11.1 & 11.5 & Annual Education Statistics 2012

3. *Economic growth not pro employment*: Unemployment is also the result of economic change and its impact on employment. Unlike in other countries, a central reason for high rates of youth unemployment in Bhutan is not due to low economic growth but rather the low intensity of its narrow based economy to generate distributive jobs, particularly by the high growth sectors. It is apparent from the foregoing description that economic growth neither could expand employment opportunities adequately nor could shift the pace of employment alongside the pace of sectoral shift in output.

A simple calculation using *arc* elasticity of employment (percentage change in the number of employed persons in an economy with a percentage change in economic output, GDP) reveals that an elasticity of 0.29 between 2003 and 2011 indicates that

<sup>33</sup> See PPD, Ministry of Education, 2012,p.6

<sup>34</sup> Annual intake of class 12 students into RUB significantly increased from 28.5 percent in 2006 to 43.3 percent in 2012.



every 1 percentage point of GDP growth is associated with 0.29 percentage points of employment growth overall. This very low employment elasticity implies economic growth not being able to translate into employment gains for the labour force entrants. The employment elasticities were -0.45 between 2003&2006, 1.27 between 2006&2009 and 0.16 between 2009 & 2011.<sup>35</sup> In the case of youth, it experienced -0.2 employment elasticity between 2003 & 2011; it was worse between 2003&2006 (-1.3) and 2009&2011 (-1). This has important implications: youth are facing more difficult challenges in getting job; if not improved adequately, it will frustrate and demoralize young people.

4. *Attitudes to civil service – the most preferred choice*: It is still the tradition and firm expectations among majority of the parents that their children obtain ‘elite’ careers as government officials upon their graduation. This belief for a long time embedded biased taste and preference in the mindset of society and children right from the beginning.<sup>36</sup> Hence, the tendency continues among the high school and college graduates to first seek job in government agencies. However, for the majority of them, the job opportunities are not as they (or their parents) expected. No longer were the golden days when high school and university graduates were almost unconditionally provided full employment in government, corporate or private organizations. The fact that the civil service is an ‘elite’ career or highly valued is revealed by thousands of university graduates travelling from every corner of the country to Thimphu to sit for the Bhutan civil service examination (BCSE) every year. In 2012, out of 2,397 university graduates who sat for the preliminary BCSE it selected only 408 (17.02 per cent). In 2013, 3,332 university graduates sat for the preliminary examination and only 538 slots (16 per cent) are offered in the civil service. That means, between 2012 and 2013, while the university graduates opting for the civil service increased by 39 per cent the slots increased by only 31.8 per cent (see table 15). Moreover, there is no likelihood of jobs in civil service rising appreciably.

Increasingly, many youth enter into the ‘floundering period’ characterized by frequent job switches until they secure a job of their aspirations. It therefore, tends

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<sup>35</sup> Kahn, A (2001) argues that employment elasticities should ideally be around 0.7 in developing economies and need to achieve higher employment intensity particularly in those economies with high incidences of poverty and labour surplus.

<sup>36</sup> Even school textbooks have excessively highlighted importance of civil servants in the eyes of students, Ura, 2009, p.11.

to increase the average duration of unemployment, which if not addressed adequately could create a sense of despair and discouragement, leaving workforce entirely. In 2012, out of 2090 persons (30.3 per cent) of the total unemployed who looked for work for more than six months, 40.6 per cent were youth (60.7 per cent females).<sup>37</sup>

Table 15 *Trends of university recruitment in civil service, 2010-2013*

	2010	2011	2012	2013
Total candidates sat for preliminary BCSE	1216	1686	2397	3332
Total vacancies/no. of candidates recruited				
<i>I. General category</i>				
a. Post graduate diploma in public administration	36	36	36	36
b. Post graduate diploma in financial management	36	36	36	36
c. Post graduate diploma in education	47	154	161	185
<i>II. Dzongkha category</i>			6	7
<i>III. Technical category</i>				
a. Post graduate diploma in national law	14	22	16	15
d. Technical, others	99	157	153	259
Total recruited	232	405	408	538

Source: Management Information Services Division, Royal Civil Service Commission, April, 2013 & [http://www.rcsc.gov.bt/graduate\\_exam/Preliminary%20Vacancy%20Announcement%20BCSE%202013.pdf](http://www.rcsc.gov.bt/graduate_exam/Preliminary%20Vacancy%20Announcement%20BCSE%202013.pdf)

5. *Education deficits*: Labour shortages and surpluses coexist in labour market due to mismatch of education and skills in relation to changing labour market requirements. Labour market information shows that the actual number of job vacancies is higher than registered job seekers, which has been the trend over the years.<sup>38</sup> This is a clear indication of mismatch in the labour market. According to the ‘human capital theory’, it believes that education enhances the skills needed in production, and therefore directly influences economic activity. Education in Bhutan, however, is particularly highly oriented to core academic knowledge at the higher level and builds human capital without taking into account the broad pattern of jobs and demand of economy for educated manpower. This is evident from the courses offered by the RUB, which broadly belong to liberal arts/humanities while the demand for labour keeps changing over the years. That’s why, compared to

<sup>37</sup> Labour force survey 2012, MoLHR, p.96

<sup>38</sup> Recorded total vacancies and registered job seekers were 6655 and 4900 respectively in FY 2009-10, 5537 and 9671 in FY 2010-11 and 8481 and 7342 in FY 2011-12 (Annual report 2011-12, MoLHR)

professional and technical university graduates, social science graduates face stiffer job competition among themselves. This nature of structural unemployment in itself manifest deficit in education. Out of 10 constituent colleges of RUB, five colleges offer programs related to applied sciences<sup>39</sup> and rest in social science. But the number of enrolment is vastly different. For instance, out of 7,400 students enrolled in 10 colleges in 2012, only 27 per cent (2011 students) were in the applied sciences.<sup>40</sup> On the demand side, the job slots/vacancy for the university technical graduates (applied sciences) in the civil service alone average to 42 per cent of the total slots in the recent four years.

Young people who enter labour market despite academic qualification also have deficiency such as work ethics, unrealistic job/career expectations, interpersonal skills, reliability, initiative and commitment. Our education system encourages lot of memorization to go to higher grades and hardly tests for logical and analytical thinking, creativity and imagination. The overall general school education (primary to higher secondary) lacks modern core skills and 'life skills'<sup>41</sup>(problem solving, critical thinking, interpersonal skills, etc), which are increasingly becoming necessity for entry into employment due to change in technology, market chain and other causes. Even with high rates of economic growth and existing job opportunities in various sectors, youth unemployment remain high despite being literate and numerate due to lack of marketable skills. A proposal for GNH value education in schools points out significant drawbacks in the relevance of some subjects and even obsolete contents, which unnecessarily obstruct in the delivery of quality education.<sup>42</sup>

6. *Low image and quality of technical and vocational education and training (TVET):* Generally, TVET is seen as a way to increase employability and employment of youth, or, at least ease transition to work. But TVET in Bhutan is still considered second class compared to general education due to several fundamental constraints at policy environment, institutional capacity and training resources. Moreover, youth hardly view the status of a skilled worker as a high degree of social prestige and economic potential. Among the public TVET institutes, technical training institutes

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<sup>39</sup> Applied sciences broadly include technology/engineering, medical sciences and natural resources.

<sup>40</sup> Figures calculated from the *Staff and Student Statistics, October 2012*, RUB, p.7

<sup>41</sup> WHO defines it as abilities for adaptive and positive behavior that enable individuals to deal effectively with the demands and challenges of everyday life. ([http://en.wikipedia.org/wiki/Life\\_skills-based\\_education](http://en.wikipedia.org/wiki/Life_skills-based_education)).

<sup>42</sup> Ura, 2009

(TTIs) that offer certificate courses after grade 10 in conventional disciplines such as civil, electrical, mechanical and automobiles are considered the last option of youth. Often criticisms of 'supply driven' training system abound. Some fundamental issues also pertain to lack of lifelong learning/up-gradation of qualification and skills, low employment opportunities in the civil service, weak institute-industry linkage, no well-established mode of quality apprenticeship, poor resources including instructors, and so on. The training delivery therefore, suffers from quality; industry often complained about producing same types of graduates not ready or fit for work in the manner employer require. Besides, TTIs seldom engage in research and development and hardly have any innovative new products by their trainees to showcase which in itself is a manifest of poor training quality.

From 2004 to 2013, 3890 young people graduated from TTIs in various trades; almost 72 per cent males and 28 per cent females. Out of the total graduates at certificate level, 32.5 per cent trained in construction, 25.5 per cent in electrical engineering, 10.3 per cent in light vehicle driving, 9.2 per cent in heavy vehicle driving, and so on. However, in the absence of a tracer study, it is not known how many are actually working in the same occupation of their training.

On the other hand, morale and quality of TTIs are also affected by the kind of trainees enrolled, which potentially perpetuates vicious cycle of low quality, low image. Amongst the young students who could not qualify for higher education, relatively better candidates get selected in attractive vocational programs like health and forestry, which have higher employability in the government service, career opportunities and social status. Only academically less able students (and also economically and socially disadvantaged) opt for TTIs. This is clearly evident from table 16, which shows that capacity of TTIs often remain underutilized; though 80 per cent of the total admission seats were filled in 2012, on average, only about 64 per cent of the total capacity remain occupied (2004-2012).

Table 16 *Training vacancies and admissions in various TVET institutes*

Institutes	Courses	2012		2010	
		Total Slots	Filled	Total slots	Filled
1. TTI - Khuruthang	Certificate in Electrical Engineering	60	59	70	47
	Certificate in mechanical engineering	40	28	20	24
2. TTI - Rangjung	Certificate in Electrical Engineering	100	80	60	70
	Certificate in Computer hardware	30	22	30	24
	Certificate in Auto mechanic	10	8	10	0
	Furniture making	15	5	24	3
3. TTI - Samthang	Automobile Engineering	70	37	40	36
	Heavy Vehicle Driving	18	36	36	31
	Light Vehicle Driving		0	60	60
4. TTI - Serzhong	Certificate in Masonry	24	20	36	6
	Certificate in Electrical Engg	24	23	36	16
	Certificate in construction carpentry	12	7	24	6
	Plumbing	24	11	36	7
	Upholstry and design	12	11	0	0
	Certificate in Mechanical Engg	24	20	48	11
5. TTI - Chumey	Carpentry	15	15	36	0
	Masonry	35	29	48	8
	Plumbing	15	18	24	5
	Electrical	15	25	25	6
	Welding	15	8	20	0
	Tailoring	20	16	15	0
6. TTI - Thimphu	Certificate in Automobile Engg.	45	20	45	22
	Total	623	498	743	382
	% of total capacity filled	79.9		51.4	
7. Royal Institute of Health & Science, Thimphu	Health Assistant	25	25	25	25
	Dental Hygienist	4	4	4	4
	Dental Technician	4	4	2	2
	ENT Technician	2	2	2	2
	Laboratory Technician	15	15	15	15
	Operation Theatre Technician	2	2	4	4
	Ophthalmic Assistant	2	2	2	2

	Orthopedic Technician	2	2	2	2
	Pharmacy Technician	12	12	10	10
	Physiotherapy Technician	4	4	4	4
	X-Ray Technician	8	8	8	8
	Total	80	80	80	80
8.	National Institute of Traditional Medicine, Thimphu				
	Diploma in Traditional Medicine	10	10	10	10
9.	Ugyen Wangchuk Institute for Conservation and Environment, Bumthang				
	Foresters	30	30	30	30

Note: Institutes from SI# 1-6 are under the Ministry of Labour and Human Resources, SI# 7 under the Ministry of Health, SI#8 under RUB and SI# 9 under the Ministry of Agriculture and Forests.

Source: TPSD, Department of Human Resources, MoLHR, 2013

7. *Unattractive and underdeveloped private sector*: Private industrial establishments grew by 136.2 per cent from 14,627 establishments in 2003 to 34,550 in 2011 (largely in services and contract types)<sup>43</sup>. Therefore, private enterprises' share in employment also grew significantly from around 25,150 employees (10 per cent) in 2003 to around 72,490 (22 per cent) in 2012.<sup>44</sup> Out of 72,490 employees in the private enterprises, youth accounted for only 3.5 percent (2537). However, despite existing job opportunities youths are reluctant to take up employment in the private sector mainly due to lack of career development and training opportunities, job security, salary not commensurable to high and sometimes odd working hours, and other working conditions (see box 2).<sup>45</sup> Employers on the other hand prefer experienced workers to the fresh entrants as the latter often switch jobs. In a relatively small market, many of the small businesses do not have the resources and commitment to invest in HRD. Instead jobs above entry level are filled by internal promotion and skills are learned as part of employment, and qualifications are of secondary importance. Therefore, barrier to entry of youth into employment is higher.

<sup>43</sup> Statistical year book 2005 and 2012, NSB

<sup>44</sup> The employment in private enterprises in 2003 included private corporation/enterprises and family non-farm enterprise (BLSS 2003) and for 2012, it included private corporation and private businesses (LFS 2012). Government accounted for 14 percent of total employment in 2012.

<sup>45</sup> During the fiscal year 2012-2013, out of 94 complaints received by the Department of Labour from employees, 55.3 per cent were related to non- payment of wages and other benefits. Similarly, 193 enterprises were imposed fines for contravening labour law and regulations.

Moreover, except for a few well established private businesses, there is very little social protection scheme in the private sector. Presently, the National Pension and Provident Fund (NPPF) cover only employees in the civil service, armed forces and state-owned enterprises and therefore, those employees have access to certain level of security in retirement and old age. The NPPF Plan in 2012 covered about 14 per cent of the labour force and only 6.64 per cent of the total population.<sup>46</sup> Though the labour law requires all the enterprises employing 12 or more employees to institute provident fund the compliance is difficult to enforce due to a lack of written contract of employment between employers and employees.

**Box 2: Insights from the half-day workshop on the assessment of job seekers**

During the assessment of job seekers undertaken jointly by the Project Facilitation Unit, Office of the Prime Minister and MoLHR in February 2012, 80 job seekers turned up for the assessment. 76.3 per cent of them reported they looked for employment and almost 43 per cent of them attended job interviews more than four times. Similarly, 54 per cent reported that they were unemployed because they lacked job experience, skills and low academic performance. Out of 80 respondents, only 7.5 per cent were willing to work in private sector. Overall, the reasons for not opting for private sector were: about 29 per cent reported lack of career development and training opportunities; 20 per cent reported lack of job security; 15 per cent reported low salary; and about 9 per cent reported lack of conducive working environment.

Source: LMID, Department of Employment & PPD, MoLHR

### **5.3 Youth and some dimensions of perceived social problems**

Several literatures point out that high levels of youth unemployment have profound impact on economy, society and to the individuals. The most direct impact on the economy is lost out put in terms of goods and services due to unproductive youth labour force. The unemployment has also driven many young people to engage in anti-social behavior like criminal activity, drug addiction, violence and sex work. The increase in criminality due to youth unemployment has been great detrimental to foreign direct investment in South Africa, for instance.<sup>47</sup> Studies of young people also show that unemployment leads to a reduction in self-esteem, diminished levels of well-being, and frequent isolation from peers and also from democratic political processes. The

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<sup>46</sup> National Social Protection Policy for workers in Bhutan (draft), MoLHR, July 2013.

<sup>47</sup> Country profile: South Africa by UNODC, 2003

macroeconomic cost of HIV/AIDS among youth is also significant particularly in Sub-Saharan Africa where unemployed young people are at much higher risk of contracting HIV/AIDS.

Studies also show that the consequences of unemployment do not affect every young person in the same way. Various moderating variables come in to play such as ability or attitude, personality traits, family support, social safety net and so forth. For those motivated and committed to work, they experience greater distress and anxiety when unemployed while for some young persons, remaining unemployed for some period may be a preferred choice to boring jobs without future prospects.<sup>48</sup>

In Bhutan, in the absence of any in-depth study on the similar issues or cases, it is premature at this time to establish with precision the behavioral patterns of young unemployed people and related social problems. However, some symptoms are already emerging in the society and following evidences may be perceived to suggest vulnerable youth engaging in unhealthy social practices. Though the problems seem to appear minuscule at the moment the fact that it is surfacing is a major concern as such behavioral pattern has potential multiplier effect through ‘peer pressure’ or influence.

1. *Crime*: Crime as a consequence of unemployment is best explained by Merton’s “strain theory” of deviant behavior where, delinquency is a way out when one is not able to pursue or achieve certain goals in life (good job, well-to-do lifestyle) as opportunities or means to resources are restricted by unemployment.<sup>49</sup> But Hirschi’s “social control theory” also argues that not everybody commits crime; the stronger the bonds to society, parents, teachers, friends, work, moral order, etc. the lesser the likelihood of deviant behavior.<sup>50</sup>

The study on ‘Juvenile delinquency as emerging youth problem in Bhutan’<sup>51</sup> points out that highest level of crimes occurred in regions with higher urbanization, particularly in the capital city Thimphu. Out of 649 frequency of crimes committed by juveniles (aged 18 and below) from 1984 to 2003 across the country, the property crime recorded the highest (80.87 per cent) with significant offence in theft and burglary. By age, it reached its peak at the age of

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<sup>48</sup> Furnham discusses elaborately on the psychosocial consequences of youth unemployment in Petersen *et al* (eds.) Youth unemployment and society, pp.199-220.

<sup>49</sup> See Grotenhuis, *et al* in youth unemployment and society, p.236

<sup>50</sup> Ibid, p.236

<sup>51</sup> See Youth in Bhutan: Education, Employment and Development, CBS, 2005, pp. 80-109.



20 and thereafter, dipped gradually. During the important transition period from adolescent to adulthood (between 19-23 years), young people are also likely to leave schools and look for employment or better socio-economic opportunities. Likewise, it also points out that out of 514 frequency of crimes committed by juveniles in Thimphu alone from 1988 to 2003, the most prevalent crimes constituted theft (42.8 per cent), assault (19.1 per cent), drug abuse (16.7 per cent) and burglary (10.1 per cent). In terms of their status, 34.7 per cent were without employment and 28.8 per cent were students who also mostly committed substance abuse and assault offence.

The recent statistics show that in 2012<sup>52</sup>, out of 705 youth who committed crime across the country, 48.5 per cent were unemployed, 29.6 per cent students and 21.8 per cent employed. In terms of offence, 30.6 per cent related to possession and illegal transaction of controlled substances, 17 per cent related to larceny, 5.5 per cent related to malicious mischief, and so forth. Observed by places of crime occurrences, nearly 50 per cent of the total crimes among youth took place in Thimphu<sup>53</sup> followed by Chukha (13.5 per cent) and Paro (8.5 per cent) - indicating higher occurrences of crimes in more urbanized areas.

2. *Culture of gang formation*<sup>54</sup>: The Royal Bhutan Police found out about the instances of formation of gangs by the youth particularly in Thimphu engaging in socially unacceptable behaviors, leading to assaults and insecurity in the neighborhoods. In July 2010, about 38 male youth gangs and 18 female youth gangs were identified; some of the gangs' names were based on specific locations. All gang members were known by their nick names and comprised of both students and school leavers; about 46 students from Thimphu were found to be members of gangs.
3. *Drayang*<sup>55</sup> (bar and musical dance entertainment): As of 2010, 26 *Drayang* in the country employed about 249 people out of which 60.6 per cent (151) were

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<sup>52</sup> Crime & Operations Branch, Royal Bhutan Police, Thimphu (the information was actually requested by the Centre for Bhutan Studies).

<sup>53</sup> Thimphu in 2011 accounted for 57.6 per cent of total crimes (4697) committed in the country, pp.211-212, NSB, Statistical year book of Bhutan 2012.

<sup>54</sup> Communication from Royal Bhutan Police to Ministry of Home & Cultural Affairs, July 19, 2010

<sup>55</sup> Information as per the communication from Office of the Gyalpoi Zimpon to secretaries of cabinet, ministries of home and cultural affairs, labour and human resources, information and communications, etc. dated December 26, 2010.

girls. Amongst girls; 49 per cent (74) were between 18-20 ages and 11.3 per cent (17) were 17 years and below, 59.6 per cent (90) not married, and 39.7 per cent (60) illiterate who came from rural areas.

While *Drayangs* are proliferating and providing alternative employment their image and reputations are generally considered not good mainly due to prevailing practices of immorality and indecency. As majority of *Drayang* girls come from relatively poorer socio-economic and educational background they are often found to be lured, cajoled and seduced by customers thereby, exposing them to sexual harassment and exploitation.

4. *HIV/AIDS*<sup>56</sup>: As of November 2012, a total of 297 cases of HIV were officially detected in the country where 51.2 per cent were females. Almost 90 per cent of HIV infections are attributed to unsafe sexual practices such as multiple partners, casual sex and low condom use. While 90 per cent of the cases are within 15-49 age group, youth represented about 20 per cent (59 cases) with 76.3 per cent (45) found to be females. In the composition of the detected cases, unemployed accounted the highest with 71 cases followed by farmers with 49 cases, private or business with 45 cases, armed force personnel with 30 cases, drivers 29 cases, minor 26 cases (mother to child transmission), sex workers with 12 cases, and so forth.

## 6 Future outlook for youth

Table 15 *Projection of job seekers in the 11<sup>th</sup> Five Year Plan (2013-2018)*

	2013	2014	2015	2016	2017	2018
Class X graduates available for training and employment	4,213	4,432	4,733	4,972	5,214	5,462
Class XII graduates available for training and employment	4,479	4,210	4,323	4,547	4,856	5,102
University graduates available for employment	2,189	2,409	2,629	2,849	3,069	3,289
Job seekers (60%): A	10,881	11,051	11,685	12,369	13,139	13,853
Other job seekers (40%): B	7,254	7,367	7,790	8,246	8,759	9,235
Total job seekers (A+B)	18,135	18,418	19,474	20,615	21,898	23,088

<sup>56</sup> Data received from PPD, Ministry of Health, RGoB.

Note: Class 10 job seekers represents 40 percent of the total class 10 students in a given year (taking 851 per 1000 students as survival rate to class 10) and similarly, class 12 job seekers represents 28 percent of the total students of class 12 in a given year. The projection is based on enrolment in different levels of schools in 2012. University graduates job seekers are based on the projection of LMID.

Source: Author's calculation based on *Annual Education Statistics 2012* and *Job Seekers' Projection* by Labour Market & Information Division (LMID), Department of Employment, MoLHR, 2013.

During the 11<sup>th</sup> plan period (July 2013-June 2018), it is projected that about 120,000 job seekers with varying qualifications will be entering the labour market, looking for employment. This is roughly 33.3 per cent (30,000) increase over the 10<sup>th</sup> plan's total job seekers. Amongst job seekers, almost 73,000 will be educated young persons entering the labour market as fresh entrants: 40 per cent will be class 10 graduates, 38 per cent class 12 graduates and 22 per cent university graduates. Considering the commitment of the government to reduce the overall unemployment, as well as, the youth unemployment rates to 2.5 percent during the 11<sup>th</sup> plan period, it is a daunting challenge for the government to fulfill its employment pledge and for the economy to create significant employment with greater proportion catering to young people.

## **7 Recommendations**

There is no one-size-fits-all approach to tackling unemployment challenge. Many countries have sought to tackle the challenge through several interventions like national employment strategies, labour market legislation and regulations, and active labour market policies (ALMPs). ALMPs in the form of labour market training/retraining, job search assistance, career guidance, work experience and public works programs are pursued in many countries to promote youth employment. Owing to a current weak labour market demand, OECD has recommended shift in the ALMPs from a “work - first” approach to a “train - first” strategy. Many studies recommend that ALMPs must be equally complemented by economic strategies that boost aggregate demand. The Youth Employment Network (YEN)<sup>57</sup> initiatives on employment policy support, national youth employment action plan and know about business assert the need to review education and training programs and adapt to the needs of the world of work,

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<sup>57</sup> YEN is a partnership of UNs, ILO and World Bank created in 2001 in the framework of the Millennium Declaration to develop and implement strategies that give young people a real chance to find decent and productive work.

which is often weak in Asia and sub-Saharan Africa.<sup>58</sup> Programs on skills, knowledge and employability are therefore, increasingly becoming the central theme to develop innovative training programs for young men and women, including those with disabilities.

While Bhutan has achieved reasonably high rates of economic growth in the last one decade bringing significant improvements in various socio-economic dimensions like education, health, poverty, longevity, income and so forth, a closer examination of Bhutan's labour markets reveals areas of serious concern. First, a huge proportion of labour force is still engaged in low-productivity agricultural and low-earning jobs in the rural areas, particularly dominated by informal sector. Rural-urban migration to the extent of leaving ancestral homes empty and farmland fallow only compound problems of urban areas. Second, the pace at which jobs is being created mainly in the formal sector remains slow. This is particularly worrisome given the increasing number of educated workforce entering the labour market every year.<sup>59</sup> Third, dependence on foreign workers mainly from India is rising due to significant investments in hydropower and construction projects. Presently, about 52,000 foreign workers are in the country (excluding day workers about 20,000); 80 per cent of them engaged in hydropower and construction activities. This woefully aggravates unemployment and Rupee shortage in the country.

Therefore, designing interventions to alleviate unemployment in general and youth unemployment in particular need a unified perspective on various dimensions surrounding the overall causes and consequences of unemployment. Recognizing this problem, it is the responsibility of the government to ensure that every one has access to productive and decent employment. Following measures like macro and appropriate sectoral policies, focused special programs and conducive working environment that consider successful employment creation, employability, equal opportunity and entrepreneurship constitute an appropriate strategy for policy intervention and prevention of unemployment.

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<sup>58</sup> YEN papers (2005/1), ILO, 2005.

<sup>59</sup> Considering regular paid and casual paid as proxy of formal sector (wage payment), their share increased from 25.5 per cent in 2009 to 27.4 per cent 2012. Youth share in wage payment accounted for 23 per cent in 2009 and 26 per cent in 2012 (LFS, 2009 & 2012).

1. *Realigning macroeconomic policies to pro-employment growth:* As macroeconomic phenomena mainly relates to output, unemployment and inflation, macroeconomic policies by influencing favorable economic environment play crucial role in realizing the full potential of economic growth as well as employment. For instance, central bank's contractionary monetary policy limiting money supply and aggregate demand ultimately impacts demand for jobs, which is the case in Bhutan at the moment. Likewise, government's investments in various economic projects like hydropower, roads, agriculture also influence growth and employment. However, the major shortcoming of macroeconomic policies in Bhutan are firstly, her narrow base economy and crowding of investments in a few sectors; secondly, strong focus on the overall economic growth losing consistency with the objective of creating employment; and thirdly, high dependence on the informal economy for job creation. While growth is a necessary condition, growth and employment must be mutually complementary. Further, sound macroeconomic policies must be complemented by strong sectoral policies in individual sectors which are particularly important for employment generation.

Thus, it is imperative to firstly, look at macro-policy options like adopting suitable structure of investment and production to diversify its economic base and generate employment, both quantity and quality in the process of, and contribute to the acceleration of, economic growth. Secondly, adopting appropriate types of technology and mix of production technique that focus on labour intensive industries like micro, small and medium enterprises in the manufacturing and services, and inducing faster growth of such industries to expand output and labour demand. Productivity no doubt is important but must be realistic to country's economy and store of human resources. Lastly, calibrating policies to consider different mix of employment opportunities suitable for rural unskilled labour force and increasing educated youth force.

2. *Regionally balanced development:* The review of unemployment by dzongkhags shows disparity in the employment situation in the country. Dzongkhags like Thimphu<sup>60</sup>, Samdrup Jongkhar, Sarpang, Pemagatshel and Dagana show consistently higher unemployment rates in the past few years. Whereas, Dzongkhags like Zhemgang, Trashigang, Trashiyangtse, and Lhuentse do not

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<sup>60</sup> It received the highest migrants with a positive migration rate of 2.3 in 2005 (PHCB, 2005).

show severity in unemployment situation mainly because they witness negative rates of migration. But increasing scale of migration, particularly for lower skill and uneducated levels is not the solution to inadequate availability of employment opportunities. A regionally balanced development that promotes sufficient expansion in total employment must be regarded as essential pre-condition for employment generation.

3. *Reorienting education to the world of work:* While Bhutan has achieved significant results in education several important weaknesses remain. It is widely believed that higher education is the only means through which one can get a good job, stable income and reputable social status. Therefore, the education system is highly oriented to academic knowledge based, which is primarily aimed at preparing its students for entering university. But the fact remains that all are not bound for university. Unlike in the past, society and system can no longer guarantee 'ticket to success' for those university graduates. A successful transition from school to work to a great extent depends on relevancy and usefulness of classroom learning - putting knowledge to work for the employers that make up the labour demand. It is against this background that the relationship between education and employment must be reexamined and that realistic educational planning be developed.

Studies show that it is not only academic knowledge but also cognitive and socioemotional skills (soft skills, non-cognitive skills) that affect education achievements and employment opportunities.<sup>61</sup> In this respect, making efforts to adopt innovative pathway to prepare students in terms of soft or socioemotional skills prior to entry to the workforce is of key importance. After all, an important aspect of HRD relates to development of manpower needed to fulfill the targets of growth of different sectors of the economy. Educational institutes being the most important source of labour supply need to respond adequately to the changing needs and priority of the country's labour market. Broadly, education needs to build foundation of basic skills, thinking skills and personal qualities as well as competencies in the use of resources, interpersonal interactions, use of

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<sup>61</sup> Bassi, Marina *et al*, IDB Education, 2012, p.20. The authors refer cognitive, knowledge-based skills to language & communication, reading, writing, problem-solving, critical thinking; and socioemotional skills to attitude in the workplace, commitment, and accountability; good customer relations; and ability to work in team. Survey on employers' demand for skills carried out in Argentina, Chile and Brazil shows that scores assigned by the respondent firms to socio-emotional skills was almost twice that assigned to knowledge and about four times that given to sector specific skills.

information, understanding of systems, and working with technology which are valued in the labour market.<sup>62</sup> Besides, work-based experience program to provide work experience and personal insight into world of work while they are still in schools or colleges is worth experimenting. Periodic review of subjects and programs offered in schools and colleges is another crucial recourse to reduce mismatch between education and labour market requirements. Systematic reform in education can be a driving force behind innovation and knowledge-based economy and in reducing unemployment level.

4. *Improving image, attractiveness and quality of TVET*: Demand – responsive training system that considers the needs of enterprises and labour market is the most desired reform in TVET. It requires three things namely “clear signals on what the labour market needs, proper incentives and a flexible training system response”,<sup>63</sup> which must be accompanied by greater flexibility in autonomy, finance and training with full accountability in training quality and employment outcomes. Though the Vocational Qualification Framework and competency based training were introduced recently in Bhutan as a part of TVET reform process they will take some years to be fully institutionalized and further more to create structures for higher levels of vocational education. Until then, initiating arrangements with the RUB to enable top performing students mainly from the TTIs to pursue diploma is one most feasible option. Experiences of South Korea, China and Indonesia show that creating pathway to higher education and vocational institutes at diploma or degree levels has a great influence for increasing enrolment and improving image, attractiveness and quality of TVET.<sup>64</sup> Establishing a joint industry-government National Qualification Council is of paramount importance in the TVET reform to ensure appropriateness of new TVET programs and quality assurance.

In terms of flexibility, offering new courses in occupations that are in demand (not offered by private training providers), specialized technical training for those in-service to upgrade their skills and knowledge, and skill development program for women and disadvantaged are equally crucial. Improving rates of placement of graduates is another determining factor for attractiveness of TVET (see box 3). Establishing strong partnership between TTIs and industry and

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<sup>62</sup> See Hamilton, p.254.

<sup>63</sup> ADB, 2009, p.13

<sup>64</sup> [http://www.tvet-online.asia/issue/1/ratnata\\_tvete1](http://www.tvet-online.asia/issue/1/ratnata_tvete1)

### **Box 3: Kanagawa Vocational Training Center/Kanto Polytechnic Center**

This Center was initially established in April 1955 as the Kanagawa Prefectural General Vocational Training Center and in 2011, brought under Japan Organization for Employment of the Elderly, Persons with Disabilities and Job-seekers. It is a public vocational training and provides training only in the manufacturing field. It offers two kinds of trainings: training for job seekers; and training for current workers. Training for job seekers lasts from three months to one year. It offers 14 *ability courses* broadly under three fields like mechanical (CAD design, technical metal work, technical operation), electricity and electronics (electronics circuit technology, production system technology, factory control technology, etc) and residence (building equipment service, housing reform technology, residential environment planning and building equipment service). Technical metal work graduates have the highest employment rate (95 per cent); the average employment rate for all courses is nearly 87 per cent. Apart from this, *society basic skills* course is also provided to those non-regular employees who have had job experience but no vocational skills to participate in vocational training. After one month of basic skills course (bridging course), trainees are put under the short-term *dual system course* - hands-on training and learning with the institute for five months, and one month company internship training. This field includes control technology, building equipment services, etc. Tuition fees are free except for textbooks and uniform.

On the other hand, training for current workers are provided for two to five days for employed workers to cope with the technical innovation/new technology and industry transformation like design and construction of solar energy generation system, investigation and improvement of troubles in hydraulic system, etc.

Recruitment for ability training course is mainly done in close collaboration with Hello Work, who recommends the registered job seekers for training and through publicity materials and websites. The center provides active employment support during the entire training period: during the first half of the training duration, it prepares trainees for finding-job (providing lectures on employment, employment guidance-how to find job) and the latter half duration, it helps in finding jobs (providing individual consultation on job-hunting activity, joint job interview, job fairs, etc). It carries out follow up study after completion of training.

Quality assurance of vocational training is checked through review of training curriculum. Courses with low performance or ratings are either terminated or revised by receiving and involving feedbacks from industries, employers and employed graduates.

Source: *Visit and discussion with the faculty members of Kanagawa Vocational Training Centre on September 4, 2013*



collaborating in market-driven courses and training, apprenticeship, career guidance and counseling, active job search and market information are critical to improving training quality and efficiency. Fixing minimum wage for national certificate holders from accredited TVET institutes is instrumental in recognizing pivotal role of skills in productivity and economic growth.

**Box 4: T-den Gakuen of Tokyo Electric Power Company**

As a part of its electricity requirements for highly specialized practical skills and sound theoretical knowledge, Tokyo Electric Co. established its own training school in 1959 to train young students for full-time three years in the equivalent of a regular senior high school rather than to recruit regular senior high school graduates. It recruits junior high graduates through a competitive examination and put them in its campus with excellent facilities. All expenses like hostel, meals, uniform, etc. are borne by the company and students are also paid monthly allowance for incidental expenses.

The curriculum consists of 150 units: 100 units for history, math, English, political science, arts and so forth like courses taught in a normal high school and 50 units for highly technical courses on generators, transformers, civil engineering, and so on. Upon completion of three years, students get a diploma equivalent to that of a senior high school and given positions in Tokyo Electric Power Co as full time employees. Considering their concentrated training, they are capable of working on a construction site as junior electrical engineers from the first day of appointment. Depending on the evaluation by their superiors, they also have an opportunity to go to a higher training school operated by a company equivalent to a junior college after working for a minimum of three years. During the duration of two years as full-time students, they are paid a monthly salary by the company as regular employees. And like wise, again after working for a minimum of another two years, they have the opportunity to pursue highly technical training with similar arrangements. After that, they become supervisors, chief engineers or managerial personnel. Similarly, Matsushita Electric Company which manufactures Panasonic product also has very intensive and extensive training programs with its own training school and facility. Once they receive 'skill grades' from such highly specialized training schools/institutes, they are exempt from skill tests conducted by the government. Such arrangement helps to provide the most reliable source of manpower that perfectly matches the specific demands of each firm.

Source: Hidetoshi Kato: *Media, culture and education in Japan: A collection of papers* (Bulletin of the National Institute of Multimedia Education Special Issue 03 1992)

Further, provision of vocational training and technical education by the government (where private providers cannot do it) in areas like hydropower, road engineering and health that have both high demand and growth potentials can enable diversify the scope of TVET in response to labour market requirement. For instance, a dedicated power training institute for Bhutan that has technically feasible development of 23,760 megawatts (MW) of hydroelectricity of which only 1,488 MW (6 per cent) of the feasible amount has been tapped so far is highly relevant (see box 4). Likewise, paramedic is another viable vocational option.

5. *Investing in agriculture and non-farm activities*: Nearly 67 per cent of the total population reside in rural areas depending on subsistence agriculture and about 97 per cent of Bhutan's poor are also in rural areas.<sup>65</sup> Agriculture therefore, deserves special mention not only for the employment per se but also it weaves tapestry of life encompassing social, cultural, environmental and community milieu for the vast majority of people. It is only appropriate that policy delivery and investment areas are enhanced in the rural to improve wider rural economy and employment, reduce rural poverty and stem rural urban migration.

Towards building farming systems more productive, sustainable and resilient, targeted policy and program interventions to tackle land fragmentation, low productivity, low intensity cropping and crop diversification, irrigation, storage, credit<sup>66</sup> and access to market outlets among others are critical. Reducing human - wildlife conflict and loss of food crops to wild animals is crucial to reduce hardship of farmers. Adopting proper technology and mechanization is equally important to improve labour productivity and quality of employment. Besides, enabling farmers to develop broader range of skills in farming, environmental and management combining both modern and endogenous approach to sustainable farming is key element to sustainable agricultural intensification. Promoting and encouraging production of Organic Agricultural Products through cooperatives where Bhutan has comparative advantage for exports to neighboring countries like India and Bangladesh has high potential.

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<sup>65</sup> Kuensel, October 2, 2013,p.5

<sup>66</sup> Farmers and rural-based enterprises rely on informal money lenders, which comprise about 30 per cent of the credit market. *ibid*. The selected economic indicators also show that the agriculture's share of total credit by financial institutes is the least. Construction, personal and manufacturing top the credit list.

Rural non-farm (RNF) activity is another potential area that can lower rural unemployment, underemployment and migration, and increase economic activity.<sup>67</sup> RNF activities linked to agro and forest based processing and distribution has great potential for ‘upstream’ and ‘downstream’ effects.<sup>68</sup> Development of products based on Himalayan medical plants and herbs (cosmetics or pharmaceuticals) with proper technology, standard and marketing can directly help improve rural economy and livelihood. Textile and garments production combined with native designs/patents and improved technology in dyeing and loom has also vast potential particularly for female employment in rural areas. Community tourism based on local socio-cultural specificity and endowed resources with improvement in infrastructure is another potential area for employment and encouraging alternative rural livelihood options such as arts and crafts.

Like in Japan, initiating financial aid program to encourage young farmers or youth to succeed their parents on the family farm instead of migrating to urban areas will have multiple benefits from ensuring farm continuity to food security, providing care to elderly parents and sustaining community vitality. Those interested young persons/farmers deciding to start a new agricultural venture should be offered integrated vocational training in agriculture and animal husbandry with extension of technology, entrepreneurial skill and modern agri-based management and interest free or subsidized loan facility.<sup>69</sup> International exchange program for young farmers to stay for a few months in abroad to study modern farming and technology and bring back their experiences to their own community is another creative idea to attract youth in farming.

6. *Entrepreneurship and enterprise creation*: Creating and encouraging entrepreneurial skills and enterprise culture among young people is picking up in

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<sup>67</sup> Several studies point out RNF as a significant contributor of household income: for instance in 1998, the average non-farm income shares were 42 per cent in Africa, 40 per cent in Latin America and 32 per cent in Asia. <http://www.fao.org/docrep/w9500e/w9500e12.htm>

<sup>68</sup> The linkage is upstream when growth in the farm sector induces the non-farm sector to increase its activities by investing in productivity or additional capacity for supplying inputs and services to the former. It is downstream (and is often referred to as a value-added activity) where the non-farm sector is induced to invest in capacity to supply agro-processing and distribution services, using farm products as inputs.

<sup>69</sup> Kato in his paper stated that Japan government offered a loan of \$6000 interest free for repayment to be completed within five years.

many parts of the world. Therefore, providing entrepreneurship and financial education in the higher secondary, TTIs and tertiary education has vast potential in encouraging enterprising youth to venture into business and self-employment. But Bhutan needs to improve in her overall ease of doing business environment to create conducive macro-conditions for business start-up and growth.<sup>70</sup> In particular, business start-up supports like 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 are crucial. It is proved that lack of access to such support services often lead to high failure rates of youth enterprise. Initiating business incubators particularly in TTIs and RUB is all the more important to help translate ideas into workable and sustainable businesses.<sup>71</sup>

The Income Generation Start-up Support Program (IGSP)<sup>72</sup> and Credit Guarantee Scheme (CGS)<sup>73</sup> available for prospective entrepreneurs require proper monitoring and follow-up services like business mentoring, networking, etc. These programs currently catered to the graduates of Basic and Comprehensive Entrepreneurship Programs must be made accessible in future to training and educational institutes that provide entrepreneurship development program. IGSP and CGS besides placing more emphasis on the viability of business project proposal should also consider test for business aptitudes, entrepreneurial and managerial skills. As identified in the national employment policy (draft), establishment of entrepreneurship parks through mutual collaboration of agencies like MoLHR, Ministry of Economic Affairs, Druk Holdings & Investments and Loden Foundation is of paramount importance for

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<sup>70</sup> Bhutan ranked 148 in ease of doing business out of 185 economies in 2012 and compared to the South Asian regional averages of 121. Doing business index includes starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers (Doing Business 2013 –

Bhutan.<http://www.doingbusiness.org/~media/giawb/doing%20business/documents/profiles/country/BTN.pdf>)

<sup>71</sup> Business incubators in TTIs for instance can incubate innovative building construction using local materials or undertaking building maintenance business.

<sup>72</sup> It is a part of Human Security Project launched by UNDP to support self-employment and startup of micro and small businesses for those young persons who may have necessary skills and ideas but lack capital and the collateral to avail loan facilities.

<sup>73</sup> It is an arrangement between the Government and financial institutions to support loan to aspiring young entrepreneurs for a maximum amount of Nu. 1 million at an interest of 10% per annum (term loan) and 12% per annum (working capital) between 5 to 10 years. In case of default, government and lending financial institute will share losses in a ratio of 60:40.

business growth and innovation.

7. *Linking manpower planning to employment planning:* Despite clear national vision and objectives, delivery part often gets constrained which is clearly evident from the review reports of past five year plans. One of the fundamental weaknesses is a poor linkage of economic planning with manpower and educational planning giving rise to development programs suffering from a lack of trained manpower that is needed. Current practice of manpower (labour supply) and employment (labour demand) planning is ad-hoc, fragmented and compartmentalized, which is partly responsible for educational and skills deficits in the country. Therefore, systematic employment planning based on economic trajectory is central to overall human resource development. Similarly, national skill forecasting – skills assessment and gap across all priority sectors like education, health, construction, power, ICT, tourism, and so on is central to guiding appropriate investment in education and training and reducing redundancy. This has proved useful in many countries to enhance employability and employment by reducing mismatch in the labour market and driving economic growth.
  
8. *Improving working conditions and employment opportunities in private enterprises:* One of the primary reasons for youth not favoring employment in the private sector is due to inadequate social protection system compared to the civil service and state-owned enterprises. Actually the Constitution of the Kingdom of Bhutan, Labour and Employment Act of Bhutan 2007 and regulations on working conditions stipulate some provisions on social security benefits. In this respect, addressing the serious needs to step up labour administration system and administering working conditions in the private enterprises particularly like workmen's compensation, post-retirement benefits (gratuity, provident fund and or pension), occupational health and safety and adjustment of national minimum wage are critical for ensuring decent work and better working conditions, and influencing young people to take up employment in private enterprises.

Limited HRD opportunity in the private is another deterring factor. For instance, during the 10<sup>th</sup> plan (2008-13), out of total HRD indicative allocation of Nu.5051.7 million, 80.3 per cent was allocated to civil service, which employed

23,909 persons as of June 2012<sup>74</sup> compared to 3.3 per cent allocated to private and corporate sectors, where private enterprises alone employed 3 times that of civil service in 2012. Thus, appropriating commensurable share of HRD budget to the private sector will help build not only human capital but also motivate young persons to take jobs in private sector. Since the public employment accounted for only a small fraction of the total employment and there is no likelihood of rising appreciably, policy measures ought to influence the private demand and utilization of manpower.

9. *Strengthening employment promotion services:* Employment Service Centre (ESC) is central to ensuring that young job seekers have timely and easy access to labour market information concerning training and job opportunities suited to their education/skills, abilities and interest. Roughly 35 per cent of total job seekers registered with ESC during the 10<sup>th</sup> plan period (2008-13).<sup>75</sup> As of October 2013, only about 21.6 per cent (3915)<sup>76</sup> of the total projected job seekers for 2013 have registered with ESC. ESC should therefore, function more of ‘launching pad’ rather than ‘waiting room’ (see box 5). As a part of its ALMPs, ESC must ensure every registered job seeker a personal placement staff to help with regular job offer information, job-hunting activities, resume preparation, interview techniques, job placement and matching services to enhance placement rate and reduce unemployment duration. It should be placing more focus on those unemployed over six months through accelerated support program (subsidized training, internship programs and job finding) to ensure placement before protracting into long-term unemployment. Staffing ESC with professional counselors is crucial in providing career development guidance and counseling for those looking for work and facing work-related problems. ESC should be also actively engaging with the youth centers, training institutes, schools and colleges to provide periodic career guidance, lecture series, up-to-date labour market information and job placement support.

Introduction of one-stop service/job cafes is highly critical to reach out aggressively to young people across the country in providing job referral, job counseling and job guidance services. Another useful activity is the Job Bank, an

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<sup>74</sup> Civil service statistics, June 2012, [www.rcsc.gov.bt](http://www.rcsc.gov.bt)

<sup>75</sup> 32,238 job seekers registered with ESC out of projected 90,000 job seekers.

<sup>76</sup> It includes 644 class 10 graduates, 1376 class 12 graduates, 1479 general graduates (university) and 416 technical graduates ( refer Kuensel K2, October 26, 2013)

**Box 5: Hello Works and New Graduate Support Hello Works (Public Employment Security Office)**

Currently there are 650 Hello Works across Japan providing a variety of employment support services like information service of job types/employment consultation, face to face information service of employment opportunities, job placement interview meetings, unemployment benefit application, job training information, vocational aptitude tests and variety of guidance seminars. Hello Works also carries out variety of interactions with enterprises and cooperates with prefectures and municipalities in their implementation of industrial policies and welfare administration. To further support employment of young people, about 57 New Graduate Support Hello Works were established nationwide since September 2010 as a specialized form of Hello Work to make it more accessible to students. The number of users dramatically increased by 210 per cent from 228,952 in fiscal year 2010 (Sept 2010 to March 2011) to 709,648 in fiscal year 2012. With cooperation from schools, towards the end of the graduation year Hello Work and New Graduate Support Hello Work provide guidance to students without tentative job offers aimed at finding a position upon graduation. Job supporters invite students to job centers and provide individual support and concentrated interview meetings. As of January 2012, 632 universities were collaborating with New Graduate Support Hello Work providing job placement support for students. New Graduate Support Hello Works is publicized on major private job information websites to ensure those students without tentative job offers know about the services available.

They also work with local youth support stations (160 as of now) to provide placement support for those school dropouts and ‘not in education, employment, or training’. Similarly, Hello Work through young people support corners (214 locations nationwide as of April 1, 2013) provides supports to freeters/job-hopping part-timers face-to-face individual support like consultation, job finding plan preparation aimed for regular employment, job placement support seminars, etc. In addition, job cafés or one-stop centers, which are provided by prefectures but annexed to Hello Work locations support job-placement related services to young people. Through the trail employment program, Hello Work also aims to promote regular employment by providing subsidies of 40,000 yen per employee per month (for a maximum period of three months) to employers that offer trail employment.

Source: Presentation on ‘Young people’s employment policy’ and interaction with Mr. Takanishi Morito, Ministry of Health, Labour and Welfare, September 14, 2013

electronic listing of variety of jobs and training opportunities provided by employers from all over the country, which can be accessed online (full cooperation of all employers is key to building up-to-date detailed job bank). The current job portal system is not effective and common among users.

Further, Pre-employment Engagement Program (PEEP), Apprenticeship Training Program (ATP) and University Graduate Internship Program (UGIP)<sup>77</sup> require proper mentorship and coordination with receiving agencies to enhance on-the-job learning and ultimately, job placement. Instituting certain incentives like tax cut, HRD support, certificate of recognition, wage subsidies for accepting as regular workers would encourage firms to accept more youth and initiating employment compact would further strengthen job placement.

10. *Fostering demand driven special skill training program*: This ad-hoc program is provided for pre-service candidates particularly the youth through private-public partnership with fully subsidized tuition fees and stipend.<sup>78</sup> During the 10<sup>th</sup> plan period, around 1300 youth underwent this program costing nearly Nu. 58 million. This program was carried out with the dual objectives of providing skills and employment among others. However, past experience shows that effectiveness of this program can be greatly enhanced if properly tied up with potential employers. One way is devising training arrangements around demand - supply model: matching of specific skill training demand of respective sector or industry (construction, tourism and hospitality, IT, etc.) by the fully subsidized training by the government but ensuring employment at the end of training by industries is a win-win situation. Signing of training and employment compact will motivate genuine commitment and responsibility.
  
11. *Reducing dependency on foreign workers*: At any given time, Bhutan employs not less than 52,000 foreign workers (excluding those day workers in border towns) mostly in the construction sector from the neighbouring states of India. Though hiring of foreign workers cannot be done away completely appropriate

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<sup>77</sup> These programs provide stipend of Nu. 3000 per month for every participant for maximum of 3 months and extends to 6 months if there is cost sharing from receiving firms. Nearly 1000 youth avail PEEP and UGIP every year and likewise, 400 youth avail ATP. During the 10<sup>th</sup> plan, overall approved budget for these programs amounted to Nu. 73.7 million (3.25 per cent) of total approved budget (Nu. 2270.26 million).

<sup>78</sup> This program during the 10<sup>th</sup> plan covered ITES, hospitality and tourism, hydropower, nursing, construction, arts and crafts, pharmacy technician, photo journalism and financial management



measures is necessary. Already about 22 occupations were closed to foreign workers and likewise, some more occupations that could be easily replaced by the nationals could be closed gradually. Usage of modern construction technologies and techniques to reduce manual requirement with compulsory insurance against hazardous and work related accident is crucial to encourage youth employment in the construction sector. Awarding direct works or some rewards to those companies employing less foreign workers and maximum nationals is crucial to changing prevailing trend and behaviors. Similarly, regulating certain works (like plumbing and electrical works) to be executed only by those national certificate holders will help ensure safety and standard as well as employment among TVET graduates.

Introduction of foreign workers' levy or fee is another way to discourage firms from employing foreign workers. Experiences can be learned from the practices of Thailand, Singapore, Denmark, etc. A rough estimate by the Department of Labour, MoLHR shows that about Nu. 631 million (USD 10.5 million) could be generated from the foreign workers' fee annually. In the absence of any skills development fund, this revenue is a good option to finance skills training of both pre and in-service candidates to match the skill demand in the country.

Overall, this measure also has an added value to the national economy. As an import driven economy, Bhutan faces 'Rupee-crunch'<sup>79</sup> and about 7 billion Indian Rupee goes out of the country annually in the form of wages paid to foreign workers alone. To ease 'Rupee-crunch', Bhutan resorts to selling of her hard currency or, and borrowing of Rupee from State Bank of India.<sup>80</sup> Reducing dependence on foreign workers will not only ease unemployment but also Rupee shortage.

12. *National action plans (NAP) on youth employment*: Preparing national action plan for youth employment is gaining significance around the world. As NAP provides a common framework of analyzing current economic and labour market situation, setting policy priorities and action planning at the national level, it provides directions and guide future action on youth employment in the country.

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<sup>79</sup> It is due to substantial imports compared to exports in Indian Rupee denomination (negative BoP).

<sup>80</sup> Royal Monetary Authority sold USD 200 million in 2011 to buy 10 billion Rupees and similarly, borrowed as much as 11 billion Rupees from the Indian government through special credit line and overdraft facility (SBI).

As addressing the youth employment challenges is a national priority and one of her National Key Result Areas for the 11<sup>th</sup> plan, it is pertinent that apart from her national employment policy, Bhutan also prepares NAP on youth employment to guide cross-sectoral national youth employment strategy.

13. *Reinstating National Service Program (NSP)*: This program was initiated in mid 1970s for the university graduates with the primary objectives of orienting graduates about rich cultural heritage and values, national policies and development challenges. To further acquaint with practical aspects of development programs and their challenges, graduates were provided opportunity to work for six months in rural communities in schools, administrations, basic health units, rural projects, and so forth. However, this program was discontinued in late 1980s.

In an increasingly challenging future prospect for youth employment, it makes sense to seek meaningful ways to engage youth in addition to providing job preparation and actual employment. Continuation of the NSP is more pressing now than ever when viewed as a service; an alternative to employment and training. Despite cost implication, it will serve as an honourable alternative to unemployment, giving youth a meaningful opportunity to engage productively in community development and giving sense of their own worth while reducing pressure on the labour market.

## **8 Conclusion**

This research paper has analyzed the general labour market as well as youth labour market trends and outcomes primarily based on the labour force and living standard surveys. It has assessed the empirical overview of the relationship between economic growth and employment by analyzing growth of GDP and sectoral GDP corresponding to employment. It has been found out that despite economic growth and structural change in the economy it has not witnessed faster growth in employment as evident from the low employment elasticities. This is most likely a reflection of investments crowded in capital intensive projects. This problem highlights an urgent need to identify and address ways in which more and better jobs can be generated for the general and youth work force in particular. Agriculture still remains the single largest employer. This paper has pointed out the need for sound macroeconomic and specific sectoral policies

as well as targeted programs to propel growth and employment.

Youth unemployment, which has been rising over the years, is concentrated mainly among the young adults represented by more females and in urban areas. It is estimated that more number of young persons with varying academic qualifications will enter the labour market exerting more pressure on the employment prospects. There is no easy solution in the short run and therefore, both the government and private sector should work closely to address employment challenges both on the prevention and treatment aspects. Making agriculture sector attractive and sustainable for a vast majority of the rural population on one hand and promoting employment in the formal sector, mainly in the industry and services for the increasing number of educated youth force are crucial. With the right policy tools, balanced and diversified development program interventions, productive and decent employment can be achieved in conjunction with an improvement in overall wellbeing. Further investigation is needed to identify depth of the youth unemployment and its consequences to inform future policy discussions.

## Appendix

### *General labour market information*

<b>Indicators/Years</b>	<b>2003</b>	<b>2006</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Working age population (15 years and above)	356,000	372,100	475,400	484,000	496,000	522,367
Working population, male	169,800	186,600	229,200	231,500	239,800	250,483
Working population, female	186,300	185,500	246,200	252,500	256,200	271,885
Share of working age population (%)	65.1	69.2	69.9	69.5	69.5	71.1
Labour force	259,000	230,100	325,700	331,900	334,200	336,391
Labour force, male	131,700	130,115	166,800	170,500	173,400	164,484
Labour force, female	127,300	99,985	158,900	161,400	160,800	171,907
Labour force participation rate (LFPR, %)	72.8	61.8	68.5	68.6	67.4	64.4
LFPR, male (%)	77.6	69.8	72.8	73.6	72.3	65.7
LFPR, female (%)	68.4	53.9	64.6	63.9	67.4	63.2
LFPR, rural (%)	76.3	63.5	71.9	69.3	70.1	66.6
LFPR, urban (%)	56.6	57.2	63.2	67.0	61.2	59.2
Total employed persons	251,500	222,900	312,800	320,900	323,700	329,487
Overall unemployment rate (%)	2.9	3.2	4.0	3.3	3.1	2.1
Unemployment rate, male (%)	3.2	2.6	2.6	2.7	1.8	1.9
Unemployment rate, female (%)	2.6	3.8	5.3	4.0	4.5	2.3
Unemployment rate, rural (%)	2.3	2.5	3.0	2.6	2.1	1.5
Unemployment rate, urban (%)	6.5	4.9	7.5	5.1	5.9	3.5
Total unemployed persons	7,500	7200	12,900	11,000	10,500	6,904
Unemployed, male	4,200	3,400	4,400	4,600	3,200	3,122
Unemployed, female	3,400	3,800	8,500	6,400	7,300	3,782
Unemployed, rural	5100	4,400	7,500	6,100	5,100	3,663
Unemployed, urban	2400	2,800	5,400	4,900	5,400	3,241
Youth LFPR (%)	58.7	41.8	46.7	40.4	38.0	32.4
Youth LFPR, male (%)	55.2	40.7	42.9	40.6	35.2	28.3
Youth LFPR, female (%)	61.8	42.7	50.1	40.2	40.2	35.9
Youth labour force as proportion of total labour force (%)	24.3	19.2	21.3	16.7	15.7	14.2
Youth unemployment rate ( % )	5.3	9.7	12.9	9.2	9.2	7.3
Youth unemployment rate, male (%)	6.1	9.2	10.7	7.1	6.8	7.3
Youth unemployment rate, female (%)	4.6	10.2	14.7	11.0	10.9	7.2

Youth unemployment, rural (%)	3.4	6.9	9.8	4.9	5.7	5.0
Youth unemployment, urban (%)	21.4	18.5	25.2	21.4	18.7	13.5
Youth unemployed (in numbers)	3,300	4,300	9,000	5,100	4,900	3,476
Youth unemployed, male	1,700	1,800	3,200	1,800	1,500	1,392
Youth unemployed, female	1,600	2,500	5,800	3,300	3,300	2,083
Teenagers unemployed (15-19 ages)	n/a	1,000	5,200	1,100	1,000	810
Young adults unemployed (20-24 ages)	3,300	3,300	3,800	4,000	3,900	2,666
Unemployed (25-29 ages)	n/a	1,100	1,500	2,100	2,900	1,913
Youth unemployed, rural	1,900	2,300	5,400	2,000	2,200	1,743
Youth unemployed, urban	1,400	2,000	3,600	3,100	2,600	1,732

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Sources: *BLSS 2003; and LFS 2006, 2009, 2010, 2011 & 2012*

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