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EDUCATION: THE DETERMINANT OF EMPLOYMENT IN BHUTAN

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จุฬาลงกรณ์มหาวิทยาลัย

**CHULALONGKORN UNIVERSITY**

A Thesis Submitted in Partial Fulfillment of the Requirements

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เนื่องจากในทางทฤษฎี การศึกษามีบทบาทสำคัญในการเตรียมตัวเข้าสู่ตลาดแรงงาน และการเพิ่มผลิตภาพแรงงานตลอดเวลาที่อยู่ในตลาดแรงงาน การศึกษานี้มีวัตถุประสงค์หลัก 2 ประการ กล่าวคือ วัตถุประสงค์แรก เพื่อทดสอบอิทธิพลของระดับการศึกษาต่อสถานภาพการทำงานของลูกจ้างชาวภูฏานเมื่อควบคุมอิทธิพลของอายุ เพศ เขตที่อยู่อาศัย และประการที่ 2 เพื่อเปรียบเทียบอัตราว่างงานระหว่างแรงงานวัยรุ่น (อายุ 15-29 ปี) กับแรงงานอายุมากกว่า 29 ปีขึ้นไป และการเปลี่ยนแปลงแบบแผนของสถานภาพการทำงานของแรงงานรวมทั้งทดสอบความแตกต่างของระดับการศึกษาและการมีส่วนร่วมในกำลังแรงงานของชายและหญิง

การศึกษานี้ ใช้ข้อมูลการสำรวจแรงงาน พ.ศ. 2554 โดยกำลังแรงงานในประเทศมีจำนวน 336,745 คน และใช้การวิเคราะห์สมการถดถอยแบบโลจิทเพื่อทดสอบอิทธิพลของตัวแปรอิสระ (เพศ อายุ เขตที่อยู่อาศัย และระดับการศึกษา) ต่อการทำงาน ผลการศึกษา พบว่าแรงงานที่มีการศึกษาสูงมีโอกาสว่างงานต่ำกว่าโดยเปรียบเทียบกับแรงงานที่มีการศึกษาต่ำและไม่มีการศึกษา โดยผลการศึกษาเชิงประจักษ์ พบว่า การศึกษามีนัยสำคัญทางสถิติที่ระดับความเชื่อมั่น 99% และระดับการศึกษาที่เพิ่มขึ้น ทำให้สัดส่วนความเสี่ยงที่จะว่างงานในตลาดแรงงานลดลง 2-4 เท่า เมื่อเปรียบเทียบกับไม่ได้รับการศึกษา

นอกจากนี้ พบว่า แรงงานอายุ 15-29 ปี มีสัดส่วนความเสี่ยงที่จะว่างงานมากกว่าแรงงานอายุ 29 ปีขึ้นไป ประมาณร้อยละ 5 อย่างมีนัยสำคัญที่ระดับความเชื่อมั่น 99%

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ลายมือชื่อนิสิต .....

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Education plays an increasingly important role in preparing new labor market entrants for the workforce and providing skill upgrading throughout the working career. One of the basic criteria by evaluating the qualitative dimension of labor market analyses is the educational attainment.

The study's aims are two folded: first, it investigates whether the level of educational attainment has affect on employment status among Bhutanese employee when controlling age, gender, area of residence. Second, the rates of unemployment compare the result of youth sample (15-29 years) with an older sample (above 29 years) and investigate whether there is change in pattern in the employment status. Where data are available, this study also examines whether there is parity between male and female in the educational attainment and labour force participation.

For this study, data from the National Labour Force Survey 2012 with sample of 3, 36,745 in the total labour force in the country and the binary logistic regression analysis was used to examine the net effect of each explanatory variable (sex, age, place of residence and level of educational attainment) on employment.

The labour force populations with higher educational attainment are less likely to be unemployed than the labour force with lower educational level or with no education. Empirically found that education is highly significant at 1% level of significance and as the level of education goes on increasing the odds of being unemployed is 2 to 4 times more than the odds of no education into the labour market.

From the result, it is concluded that the youth aged 15-29 years are more unemployed with 5% comparing to the adult aged 30 years and above at P-value <0.000 and statistically significant.

The education is found to be the most important factors which determine employment besides age which hinders labour force population in getting employed.

Field of Study: Demography

Student's Signature .....

Academic Year: 2013

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## CHAPTER I

### INTRODUCTION

#### 1. Background of the study

Education plays an increasingly important role in preparing new labor market entrants for the workforce and providing skill upgrading and supporting human capital development throughout the life course.

Mehmet Merve ÖZAYDIN (2009), pointed out that the country's economic development is the indicator of the quality of labour force and inefficient use of human resources in a country brings major social and economic costs together. Therefore, the best way of achieving economic progress has been seen through the development of human resources in the globalizing world.

Employment is one of the most significant determinants of the welfare of the nation. Any significant changes in employment will subsequently affects the living standard of the household.

Youth employment is a challenging issue in many developing and transitional countries. Every year millions of people around the world are without a proper job and further aggravated by the large number of youth engaged in poor quality and low paid jobs, often in the informal economy. Of the world's estimated 207 million unemployed people in 2010, nearly 40 per cent about 75 million were between 15 and 24 years of age. Many youth are poor or underemployed: some 228 million working poor youth in the world, live on less than the equivalent of US\$ 2 per day (Elder, 2010).

The youth unemployment rate is usually two or three time higher than that of adult unemployment rate. And this figure is probably an underestimate because

it normally does not account for those who are discouraged in seeking work and remain inactive, neither in school nor in labour market. Even most of the working youth in developing countries are in low-quality jobs without any security or social benefits, receiving low wages, and working in poor conditions.

To increase the awareness of and stimulate more interventions around youth issues, the 2007 World Development Report summarizes the challenges to youth and stresses the necessity of investing in youth in developing countries, especially smoothing the transition from school to work and creating more opportunities for youth employment. However, before formal intervention plans are developed, a diagnostic analysis of the overall labor market, and specifically the youth labor market, should be carried out.

Bivand (2012), says that long-term experiencing of unemployment can be destructive for young people by experiencing prolonged worklessness and cause lifelong effects on both earning and employment prospect which need a policy imperative to tackle the needs of unemployment.

Youths play a vital role in bringing social and economic through technological innovation, imagination, creativity, and a limitless vision for their future and the societies in which they live. If not utilized, they are a wasted resource. Therefore it is imperative that youth are harnessed as part of society by means of providing sustainable and decent employment and livelihood opportunities for them (Secretariat (2002)).

On other hand, the problem of youth unemployment is rapidly assuming to be dangerous proportions in many countries as their economies and educational

systems are unable to accommodate the large numbers of youth in the employment.

Concern also rose during the World Summit for Social Development and the twenty- fourth special session of the General Assembly that the persistent growth of youth unemployment would negatively impact on social development. The indefinite youth unemployment also generates sense of frustration and low self-esteem making vulnerable to drugs, disease and crime. Besides, it is also cause of marginalization and feeling of exclusion from the society. There is evidence that unemployment expose youth to a greater risks of lower future wages, repeated periods of unemployment, longer unemployment spells as adults, and income poverty. Urban unemployment is higher for both young men and women and rural villages face the shortage of laour.

Youth unemployment is catagorised into two principal components. One of these arises from the high turnover among young people. As Tobin (1978) have written: "Much teenage unemployment, it is often observed, comes from dissatisfaction with the available job options, a gap between aspirations or expectations and the realities of low wages and poor working conditions. One consequence is high turnover. Even when jobs are available, therefore, unemployment is high"

The second component arises from the shortage of job opportunities. As Richard, Freeman, and David A. Wise (1982) point out "the substantial cyclic response to changes in aggregate demand suggest that a shortage of job opportunities characterize the youth labour market."

It is the people in the labour force who want to work for wage and when the work is not available for wage, it is unemployment. So unemployment is the representation of hopes and plans that are unfulfilled because there is not enough money in the household to pay for them, and ambitions that go unattained because people cannot utilise their skills and talents.

For young people, emerging into the labour market from education experiences their hopes being dashed that affect their prospects for the rest of their lives. Young people facing unemployment today are undertaking their job search in a particularly challenging context, and are therefore more likely to face unemployment into an expanding economy. Starting to enter the labour market in a recession is a piece of random bad luck. Expectations, aspirations and plans formed in better times are postponed, perhaps indefinitely Bivand (2012).

Mind of young people are not consistent where they often change decisions on life's endeavor until their aspirations and expectations are clearly assured. It is therefore chances that youth unemployment rate grow higher than the adult unemployment as young people skip many opportunities in employment that came before them considering those jobs are not meant for someone else and finally it contributes to the rise of youth unemployment.

The expectations or aspirations of the youths in education to work transitions are very high that they aim very high status job with good remuneration and other perks and allowance which is not deemed applicable in the labour market Rinchen (2008).

The transition between the school and work become an important period for many countries. During such circumstances, Nordstrom (2011) suggests that early

experiences in the labor market shape individuals' way in becoming fully employed adults. And Holzer (1999), who studied Job stability during the initial years of employment and its consequences have been studied found that increased tenure has a positive short-term effect on employment for young workers, since instability usually declines as workers grow older. They argue that churning amongst young workers is mostly due to the difficulty of finding a proper employment match in the first job. In fact, Neumark (2002) suggests that the earnings gain associated with one additional year of experience for young workers lies between 7-13% for men and 12-24% for women in the US, which may reveal that obtaining a good match instead of shopping around has its advantages.

Early contributors to human capital theory regarded schooling and experience as tools that would enhance individuals' ability in efficient decision making in the eyes of fast changing world. Schultz (1975) survey based on studies of the agricultural sector concluded that additional education and experience prove to be more efficient decision making by consumers, households and workers, and in particular to more rapid adjustment to changes in economic opportunities.

Education at Glance 2013 found that higher academics are a bigger factor in employment for younger workers than for older ones. Across the entire OECD, the unemployment rate for 25-34 years old who hadn't completed secondary education was 18.1 per cent in 2011; for those with tertiary qualifications in the same age group, the unemployment rate was a mere 6.8 per cent. For workers

aged 55-64, the gap was far less pronounced: 8.8 per cent for those without a secondary education, 4 per cent for those with a tertiary degree.

Higher degrees are also more profitable: Across the OECD, tertiary-educated adults earn an average of more than 1.5 times what adults with upper-secondary educations earn. And again, the gap has widened since the recession and financial crisis.

In the introductory report by the OECD Secretary-General Angel Gurría wrote that the people with minimum level of education and skills are more vulnerable in an insecure labour market. Therefore, education and skills are pre-requisite criteria for the job seekers in the competitive labour market.

Employment is one of the most significant determinants of the welfare of the nation. Any significant changes in employment will subsequently affects the living standard of the household Edward (1986).

There are 1.2 billion youth in the world aged between 15 and 24 making up 17% of the world population. Out of which 87% of youth live in the developing countries. 202 million people are unemployed globally with composition 4.5% adult unemployment and 12.6% youth unemployment which makes 40% of worlds unemployed.

Education is often not adequately tailored to the needs of the labour market, which means that firms are unable to hire the skills they need. Combined with the inability of many economies to create sufficient jobs, it has resulted in increasing the educated unemployed.

In 2010, in 25 out of 27 developed countries, the highest unemployment rate was among people with primary education or less. Highly educated young



females are increasingly vulnerable in some countries. In Turkey, the unemployment rate among university educated women is more than 3 times higher than that of university educated men; in Iran and the United Arab Emirates, it is nearly 3 times; and in Saudi Arabia, it is **8** times.

### **1.1 Problem Justification**

The Kingdom of Bhutan is a landlocked nation nestled in the eastern Himalayas, bordering China to the north and India to the south. With a total area of 38,394 sq.km and aerial distance of around 350km from east to west and around 150km from north to south. It is a mountainous and densely covered by forest with very rich flora and fauna.

Bhutan remain isolated from the rest of the world for many decades due to its formidable geographical boundaries which is cut off by mountains and rivers, dense vegetation and snowcapped passes which hindered influence from the foreign authority. Due to the self-imposed isolation, Bhutan was also able to maintain its own rich and unique identity amongst various ethnicity and linguistic diversity

Despite, Bhutan's serene and pristine biodiversity, it has also preserved rich and unique culture and tradition intact such as traditional arts, crafts, rituals, ceremonies, festivals, social conduct, etc. strictly protected for many years (L. K. Dorji, S., 2005). This study aims to find out the labour force participation in Bhutan due to the following reasons:

### **1.2 Education**

Bhutanese view on education has greatly changed over the decades. The government of Bhutan initiated rigorously to uphold modern education for the

school going children, including universal public schooling and introducing the English language to the curriculum in early 1960. During the process of modernizing the education, the children were forcefully admitted in the school despite reluctance of their parents support to this policy, as the rural people depended on children in farm works and housework. L. K. Dorji, S. (2005).

According to the research by the Centre for Bhutanese Studies (CBS, 2005), it is reported that there were approximately 2,500 students enrolled in the primary schools when the education reform program began. After the primary education, they were appointed in the civil service or few lucky students were sent to India for higher education travelling weeks and months on foot since higher education was not offered in the country. Later, the government's policy has been successful and the Bhutanese people realized the importance of modern education. This change led to a sharp rise in school enrollment rates and a 30 percent rise in literacy.

Bhutan's education set up in 1960 was such that monastic education was only taught in formal education and modern education was not very popular in the country. However, from the beginning of the first five year plan which was commenced in 1961, Bhutan has experienced to gain rapid socio-economic change and therefore expansion of modern education became vital in developing quality human resources to execute planned developmental activities in the country. Accordingly, the country had prioritized modern education and effort was put to establish many community and primary schools covering the most remote villages with the aim to enroll every child in the school. From that time, modern education was the more preferred by the

people than the monastic education because it served as the door to the outside world and found modern education bring more socio-economic development by way of professionalizing human resources. L. K. Dorji, S. (2005).

Bhutan saw an increase number of students from less than 400 students during the late 1960s to around 155, 234 in 2004. The gross primary enrollment rate which was 0.2 percent in 1961 had increased to 84.2 percent in 2003. Similarly, the total enrollment in primary school also increased from 46,517 children in 1991 to 78,007 children in 1998 that is 7.7% increase of primary education enrollment which was 2% more than the projection by Ministry of Education (Ministry of Education, 1999).

According to Wolfe (1994), fate of children's education is decided by their parent's affordability on time and resources they would invest. High income parents would invest their children in education where as poor parents would prefer to retain back and work for the family farm for daily survival. L. K. Dorji, S. (2005), also stated that sending children to the school bears the cost directly or indirectly: cost on education and cost of losing labour who adds family income through family labour contribution. In conventional family background, children play important role in helping parent to carry out small household tasks which their adults are doing the much bigger works.

When children leave for higher education, the families has to bear the burden of meeting the cost of children's education when poor family have to borrow money from their kith and kin or otherwise they resort to sell family property in a hope building their children's lives by sending to the school. And students,

they work for wage during vacations and with that small amount they saved from works is used for school expenses L. K. Dorji, S. (2005).

Free education is provided in Bhutan irrespective of sex through class ten level, and more emphasis is given to female education to narrow the gender gap in education (*Policy and Planning Division, 2008*). (Rinchen, 2008) pointed out that the female in Bhutan has significantly low rate of literacy than man and it is considered more girls leaving schools due to low tertiary education is the main cause of low female literacy.

Finding by (*PHCB, 2005*), showed that the overall literacy rate of Bhutan is 59.5%, female literacy rate 49.7% and male literacy rate is 69.1%. There is equal numbers of girls and boys enrolled in the community and the primary schools according to National Statistics Bureau, 2009.

In 2012, the record shows, 50% of girls are enrolled at the primary and secondary education level and the enrollment of girls in the higher secondary level has been increasing steadily over the years. Girl's enrollment in the Secondary education has increased from 45% in 2002 to 53.5% in 2012, with the increase of 8.5% since 2002 (*Bhutan Gender Policy Note, 2013*).

However, it is studied that there is 10% decrease of female enrollment every year from the high school education due to long distance to the school which takes week to travel through rugged terrain and dense forest which sometimes loose life. The lack of accessibility to nearby school and lack of road community could be one reason for more female drop outs from the school. Another reason could be due to age-old tradition that women are meant to take care of family and homes and the high cost of sending children is another reason of

more drop outs (*Bhutan Gender Policy Note*, 2013). Another drop of 10% of female enrollment in the college and only around 20% of female Bhutanese students completes their tertiary education. Therefore, the women's status in employment continue to remain very low in any work place and due to women's low literacy rate or lower educational attainment, the representation in politic is just skimpy (Department Of Education, 2009).

Enrollment data from Royal University of Bhutan in 2010 shows there is improvement in the female enrollment in the tertiary education as the female to male ratio to 40:60.2. Nevertheless, there still exist gap between male and female especially in the technical and science courses. Moreover, United Nations Development Programme (UNDP) has recommended that Bhutan need to give much importance in bringing the gender parity in tertiary education level equal in 2015 unlike primary and secondary level which is 50:50.

Millennium Development Goal Report 2011 reported that the Gross Primary Enrollment Ratio (GPER) for Bhutan has increased from 55% in 1990 to 118% in 2012, which shows an average growth of 4.0% per year. Bhutan's Net Gross Primary Enrollment Ratio (NPER) in 2012 was also increased to 95.60%.

According to the Ministry of Education, around 1% of 6-12 year old children are studying abroad and around 2% of the 6-12 years old are enrolled in monastic institutions. The Royal Government is confident the target of 100% National Primary Education Enrollment will be achieved before 2015.

### 1.3 Employment Scenario in Bhutan

According to Kinga (2005), concerns were raised to the Bhutan's acceleration to socio-economic by increase of population growth rate and younger population becoming as early as 1990. The evolution of increase number of young population, the significant of the emerging young demography was not experienced; instead it would have been this young population would have been a demographic bonus if Bhutan was in a traditional setting of farming as it was before socio-economic development programmes started.

However, due to the fact that the country is shifting from the agricultural to non-agricultural socio-economic activities, the challenges on providing a gainful employment that would make productive citizens and positive leaders to bring the changes in the society as whole. But failing to create job opportunities in the first growing industrial economies would encounter the risks to increase unemployment although in traditional Bhutanese society did not experienced much

As development in Bhutan started very late, farming is the main occupation to both young and old in rural Bhutan Kinga (2005). Yet, the introductions of modern education, the young children were enrolled in the schools leaving families traditional source of labour supply.

Today, Bhutan sees two factors that have demolished the practice of traditional labour exchange system among the people. First, the decrease in cultivated landholding resulted to decrease in household labour supply in the community. Second, the decline in tradition of free labour contribution on farms is lost and a

minimal labour supply available losing and more painfully the security of extended family is lost. ("Editorial," 2003).

On contrary, diversification of economic activities accelerating and more children come out from the schools and institutions today face the question of employment. As Civil Service Commission who is responsible to recruit and provide employment no more accommodate all the job seekers in the civil service are now encouraging to get employed in the private and corporate sectors.

Bhutan assures equity and justice for both men and women and the fact women's participation in labour force is very low, special consideration in many provisions of legal acts and the constitution of Bhutan have favored the Bhutanese women in order to encourage more women participation in the labour force. However, despite various initiatives on women's participation in every field, there still exist gender gaps in many areas including the economy.

#### **1.4 Gender Gap in Employment**

According to Bhutan Gender Policy Note 2013, there are many indicators t influencing the status of women in Bhutan including social and culture norms that women are accepted as weaker sex and hold less confident and less capable compared to men. Due to women's triple roles and work burden; low educational level ; religious restriction disallow them to more exposed economic contribution; in most incidences, women are dependent on men economically which develops inferiority among women which greatly deprived their status

including educational and employment opportunities.”(*Bhutan Gender Policy Note*, 2013)..

About 69% of Bhutan’s population lives in rural area. Now with urbanization accelerating in most of the Dzongkhags and the opportunities of business and cash income have attracted a large number of people from rural communities. Most of the migrants, almost 60% are men who started to flow from rural to urban, thus leaving women further behind to take care of the farms. Out of women migrants, they most engaged in low profile jobs such as domestic helper, baby sitter or care further limiting their development.

The government and many other agencies have come up in Bhutan with goals to promote women’s participations in economy, educations, politics, decision making in way to achieve sustainable development and poverty reduction among women and nation as whole.

According to National Statistics Bureau, 2005, Bhutan has 40.5% of the total population is active economically and out of 53.5% are male and 46.4% are female. The gender gap in labour is comparatively wider in the urban areas which constitute of 3.5% comparing to 1.5% in rural areas(*National Labour Force Survey 2012*, 2012). It is only in agriculture sector where women (2.2%) outnumbered men as mentioned before those females live in the rural and work for agriculture.

Further Labour Market Information Bulletin 2009, shows only 28% are women in the public administration, 6% in judiciary and 16% in industrial sector which explains women representation is very low in all works. And the Labour Force



Survey 2009 reveals female unemployment is increasing at constant rate while male unemployment rate remained constant at 2.6%.

Today, as a middle-income country guided by the unique development philosophy of Gross National Happiness (GNH), it continues to develop rapidly and become more integrated into the global economy. Gender equality is a core development agenda, globally as part of the MDGs, and nationally as outlined in Bhutan's Five-Year Plans and the National Plan of Action for Gender (*Bhutan Gender Policy Note*, 2013). Not only is gender equality a core development objective in its own right; it is also smart economics. Increasingly, evidence from many countries around the world indicates that gender equality contributes to economic growth. For example, greater gender equality can enhance economic efficiency and improve other development outcomes, and reducing barriers to a more efficient allocation of women's skills and talents can generate productivity gains (World Bank, 2011a). Bhutan, as a middle income country, has the capacity to make further progress on gender equality. Coinciding with its development, Bhutan has also made considerable strides in closing gaps in gender equality in all aspects of lives such as in education, employment, politics, etc. However, given that there are few deep-seated cultural restrictions, Bhutan also has the potential and ability to make even greater achievements in gender equality and be on par with leading nations of the world.

In terms of economic opportunities for women, Bhutan has made considerable strides in women's participation in the labor force. The labor force participation rate of women is almost as high as that of men (67 percent vs. 72 percent) (WDI, World Bank).

According to the 2011 Labor Force Survey ("Labour Force Survey 2011," 2011), only 6 percent of female workers hold jobs as regular paid employees, compared to 18 percent of male workers (MoLHR, 2012). The share of women is even smaller at the top of the career ladder. Among executive-level civil servants, only 7 percent are women (RCSC Statistics).

### **1.5 Youth unemployment in Bhutan**

The youth in Bhutan (15-24 years) compose of 38% of the total population and they are major portion of the work force. If utilized them meaningfully, country is going to reap the demography dividend but if they are wasted, it will result lots of disorder economically and socially. Today's youths are tomorrow's leader; therefore it is the role of policy makers to groom them to become productive and responsible citizen by addressing social and economic challenges overcome youth unemployment. According to Labour Market Information Bulletin 2009, the general unemployment rate steadily increased from 2.6 percent in 1998 to 6.2 percent in 2005, and has further increased to 12.9 percent in 2009.

Chua (2008), pointed out that the youth unemployment problem would contribute to other social problems like drug use, gang formation and burglary which would greatly affects the social harmony in the nation.

The youth unemployment problem has become a serious issue in Bhutan. The youth in my study is redefined as the age 15-29 in the labour force which represents more than half of the total population of Bhutan and is considered as a major workforce. The youth are considered as the most energetic class of people who can make either constructive or destructive contribution to the

society. If they are not monitored well and remained unemployed, both social and economic problems are inevitable. The need is felt to address the social and economic challenges confronted by the youth in order to help them become productive and responsible citizens of the country. Unemployment is one of the most socio-economic challenges faced by the youth in Bhutan today. The youth unemployment rate is increasing over the years from 5.4% in 2001 to 6.2% in 2005, 9.7% in 2007 to 12.9% in 2009 and 7.3% in 2012. The long term unemployment of youth poses a serious threat to the country's fulfillment of the development philosophy of GNH and threatens social harmony.

According to the National Labor Force Surveys (*National Labour Force Survey 2012, 2012*), the unemployment situation in Bhutan affects youth disproportionately and that it is essentially a youth issue. The youth unemployment rate has increased from 2.6% in 1998 to 7.3% in 2012 of overall youth unemployed. Most unemployed are school leavers and efforts focus on skills development of youth through vocational education. Today, there is a high priority and supportive environment to tackle the issue of providing gainful employment for youth, and an MDG Acceleration Framework (MDGAF) has been put in place in Bhutan to deal with this issue T. Dorji (2011).

The causes of youth unemployment may be voluntary as well as involuntary attributing to several reasons. The rapid population growth and significant growth in school enrolment has created a large number of youth entering into the job market in search of jobs (Kinga, 2005). The young people most often do not possess the appropriate skills or experience and usually takes longer time to get into a job (Rinchen, 2008). Youth unemployment is also a result of mismatch of

skills and expectations. Most of the job seekers look for white collar either in the private or public sector. The notion of blue collar job has been viewed as the job of illiterate farmers. There is also a limited absorption capacity in public sectors. Most of the youth prefer civil service keeping in the view of security, dignity, training and career opportunities associated with it. The slow growth of private sectors has created only fewer job opportunities. Moreover, the youth feel insecure to work under private sector (Kinga, 2005). The imported labours from India also contribute to the unemployment problem. There are huge chunk of expatriate workers in both public and private sectors L. K. Dorji, S. (2005).

As per the Labour Force Survey of 2011, the youth unemployment continued to be a pressing issue. The total unemployment rate by age is the highest among youth between 15 and 24 years. Youth between 20 and 24 years constitute 10.3 percent of total unemployed people followed by 6.9 percent of those between 15 and 19 years and 5.4 percent between 25 and 29 years.

Survey also found that Youth unemployment has decreased in urban areas to 18.6 percent from 21.4 percent in 2011. However, rural youth unemployment has increased from 4.9 to 5.7 percent. Of the total number of unemployed people by educational attainment, around 42.8 percent are school dropouts. However, the survey shows that job vacancies available outnumber jobseekers. The total job vacancies in 2011 stood at 7,814 and there were only 7,108 people looking for jobs.

The population aged between 24 and 64 years as shown in Table 1.1 has the highest labour force participation rate ranging from 66 to 88 percent compared to 19 to 58 percent of those aged between 15 and 24 years.

Labour Force Survey 2012 estimated that out of 336,391 in the labour force, 6,904 persons were unemployed composed of 3,122 male and 3,782 female. The general unemployment rate was estimated at 2.1%, 1.9% of male and 2.2% female unemployment rate. And the overall youth unemployment rate was estimated at 7.3%.

The general unemployment rate is relatively fallen from 3.3% in 2010 to 3.1% in 2011 and 2.1 in 2012 but the percentage of youth languishing without work has remained at 9.2 percent for the last two years (2010-2011).

The 10<sup>th</sup> Five Year Plan (2008-2013) who set the target to reduce the unemployment rate to 2.5 percent. Government has called the cooperation from many stakeholders to integrate and consolidate their goals and objectives through the Accelerating Bhutan's Socio-economic initiatives to reduce unemployment in Bhutan. As a result of initiatives and corporation, the unemployment rate has significantly decreased to 2.1% which was more than the target set.

Besides Government has also developed many activities to the job seekers through numerous programs such as career guidance, employment counseling, job matching, entrepreneurial skills development, support for self-employment, organizing national and regional job fairs and the national graduate orientation program, the proportion of youth unemployment is higher than the adult unemployment in the country.

Since education is found to be one of the most important determinants of employment in the global economy, the study attempts to identify some education level and socio-economic factors and demographic characteristics

associated with employment. Although the unemployment rate in Bhutan is found to be decreasing over the years due to government's and the support from the private sectors, there is a strong need to understand whether the level of educational attainment has effect on employment status among Bhutanese youth together with other factors such as age, gender, place of residence. Where data are available, this study also examines whether there is parity between the male and female in the labour force participation.

The figure 1 below shows the composition of Bhutanese Labour Force, Which rose from 634,982 to 734,850 between 2005 and 2012. During the same period the number of persons aged 15 years and above increased from 66.9% in 2005 to 71.1% in 2012.

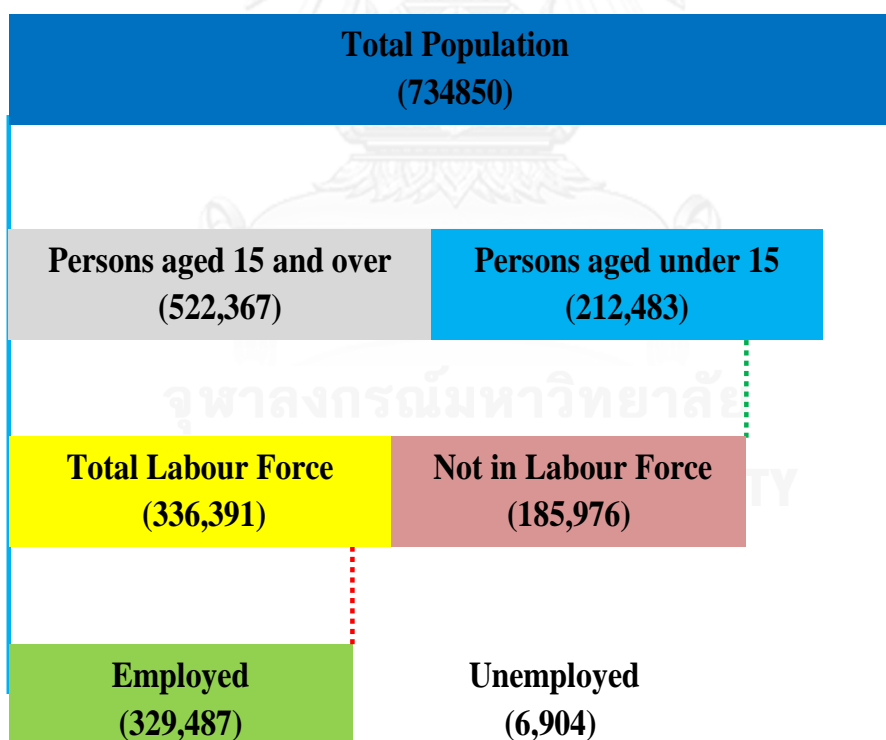


Figure 1. 1Composition of Labour Force, 2012

Source: *Annual Report for the fiscal year 2011-2012, Ministry of Labour and Human Resources, Thimphu Bhutan.*

Table 1. 1 Comparative Data of Labour Force Survey in 2012

Subject	2009	2010	2011	2012
Total Population	679,700	696,500	713,200	734,851
Total Labour Force	325,700	331,900	334,200	336,391
Total Persons Employed	312,800	320,900	323,700	329,487
Total Unemployed	12,900	11,000	10,500	6,904
Unemployment Rate	4%	3.3%	3.1%	2.1%
Rural	7,500 (3%)	6,100 (2.6%)	5,100 (2.1%)	3,663 (1.5%)
Urban	5,400 (7.5%)	4,900 (5.1%)	5,400 (5.9%)	3,241 (3.5%)
Total Youth Unemployed	9,000	5,100	4,800	3,476
Youth Unemployment Rate	12.9%	9.2%	9.2%	7.3%
Male	3,200	1,800	1,500	1,393
Female	5,800	3,300	3,300	2,083
Rural	5,400	2,000	2,200	1,743
Urban	3,600	3,100	2,600	1,733

Source: Annual Report for the fiscal year 2011-2012, Ministry of Labour and Human Resources, Thimphu Bhutan.

Table 1. 2 Overall unemployment Over the years ( in %)

Year	1998	1999	2001	2003	2004	2005	2006	2007	2009	2010	2011	2012
Over all	1.4	1.4	1.9	1.8	2.5	3.1	3.2	3.7	4.0	3.3	3.1	2.1
Male	1.4	1.2	1.3	1.6	1.9	2.9	22.6	3.5	2.6	2.7	1.8	1.9
Female	1.4	1.6	3.2	2.0	3.3	3.3	3.8	3.9	5.3	4.0	4.5	2.2
Youth	na	na	5.4	3.1	5.3	6.2	9.7	9.9	12.9	9.2	9.2	7.3
Male			4.3	3.8	4.4	5.5	9.1	10.6	10.7	7.1	6.8	7.3
Female			6.4	2.5	5.9	7.2	10.2	9.3	14.7	11	10.9	7.2

Source: Annual Report for the fiscal year 2011-2012, Ministry of Labour and Human Resources, Thimphu Bhutan

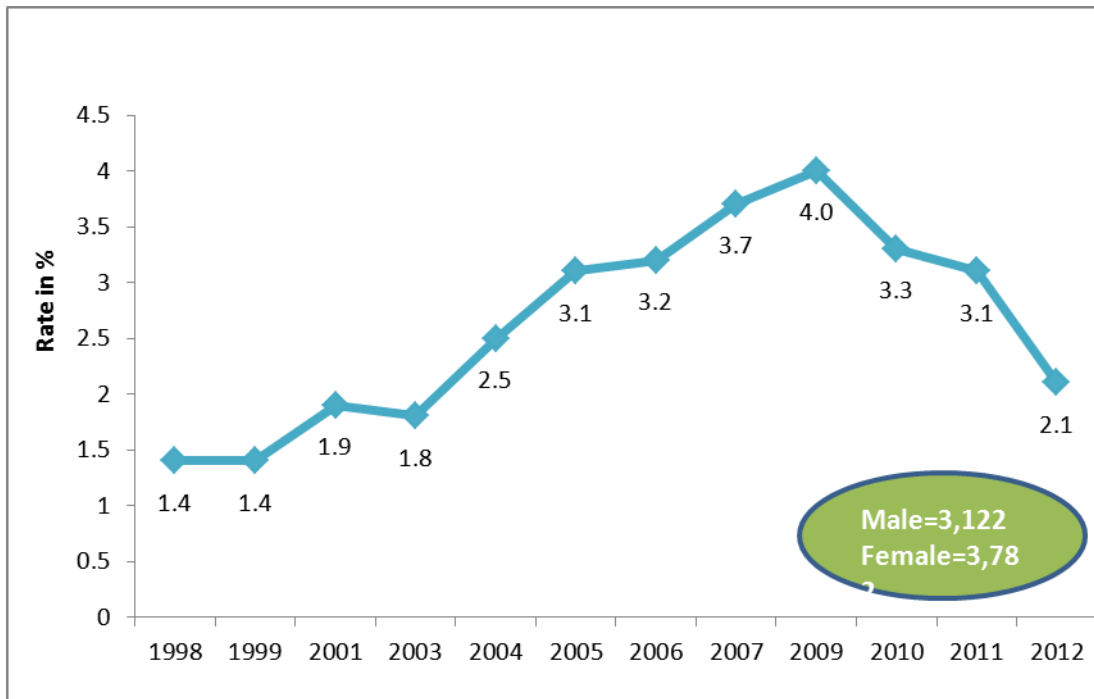


Figure 1. 2 Overall Unemployment Rates Over Years

(Source: Annual Report for the fiscal year 2011-2012, Ministry of Labour and Human Resources, Thimphu Bhutan)

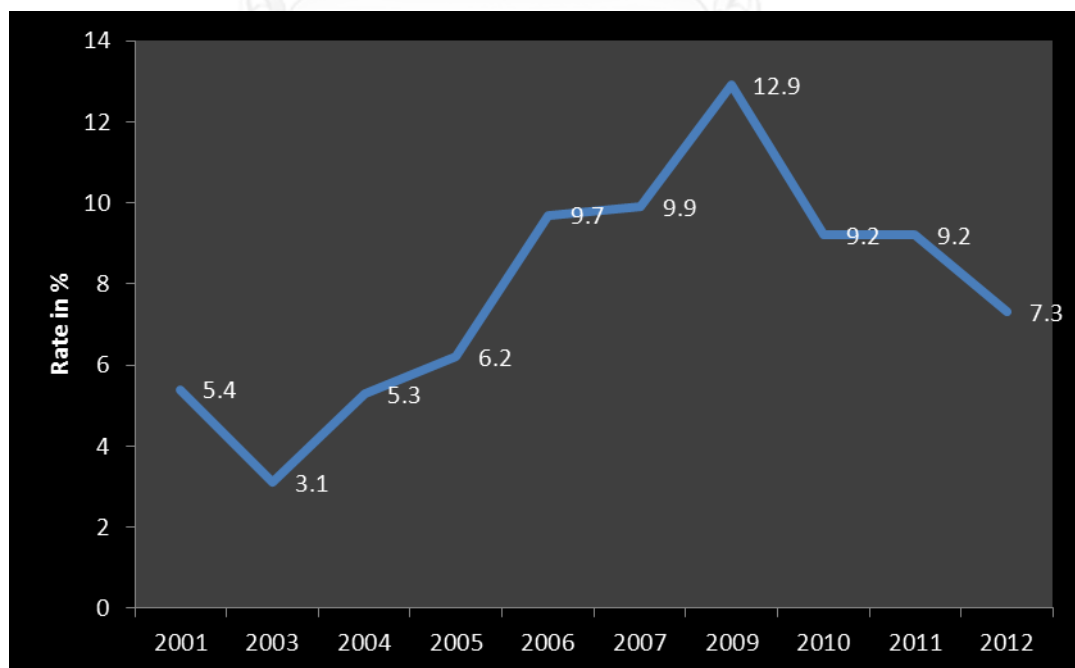


Figure 1. 3 Over all Youth Unemployment Rates over Years



(Source: Annual Report for the fiscal year 2011-2012, Ministry of Labour and Human Resources, Thimphu Bhutan)

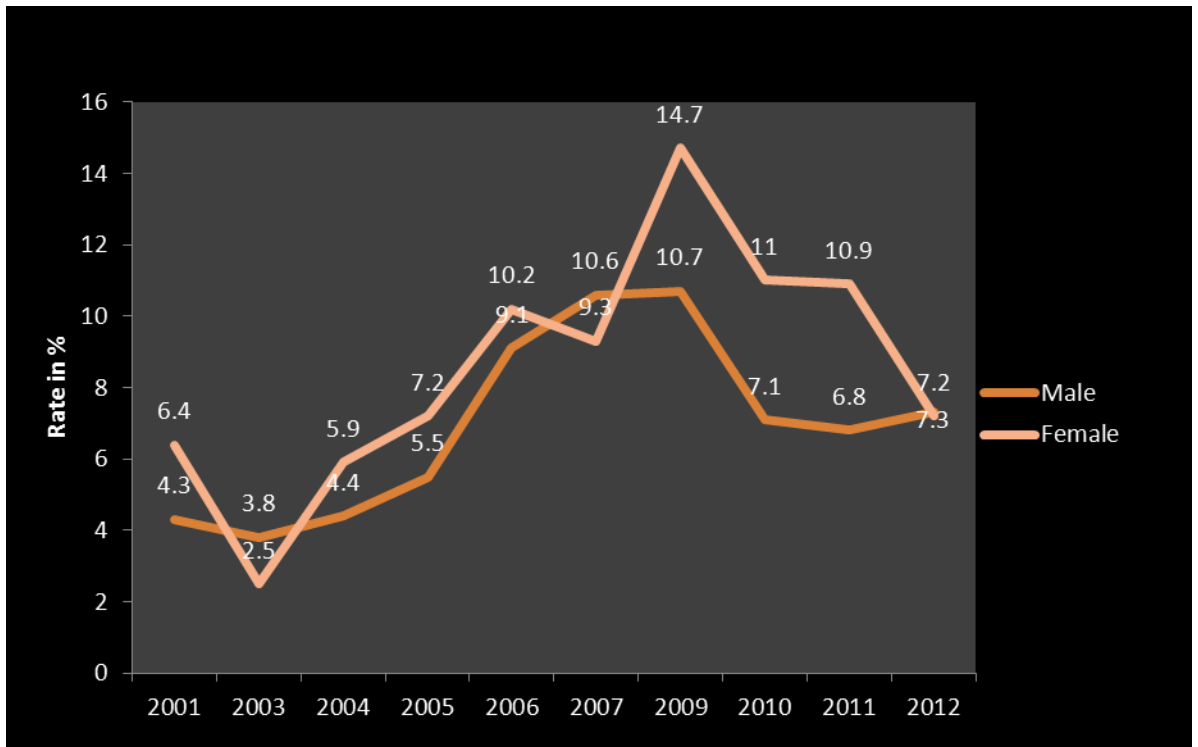
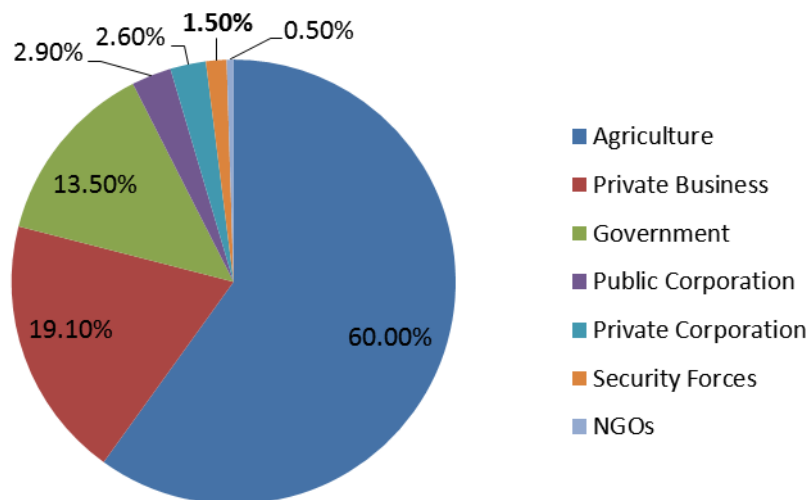


Figure 1. 4 Youth Unemployment Rate by Sex Over Years

(Source: Annual Report for the fiscal year 2011-2012, Ministry of Labour and Human Resources, Thimphu Bhutan)



## Figure 1. 5 Employments by Type of Sectors

### 1.6 Research Questions

Considering the importance of education in the labour market and the current trend of job market in Bhutan, the study aims to find:

- How different levels of educational attainment influence the population in the labour force in obtaining employment?
- Is there gender disparity among the population in the labour force in the education and in the labour market?
- Is the place of residence, gender and age effect the individuals in getting employed beside education?

### 1.7 Objective(s) of the study

Since unemployment in Bhutan has been a major concern especially among youth, the study aims to examine the differentials in unemployment by age-group. Moreover the study intends to examine the differentials by Sex, Age, Education and Place of residence to

- find out that the different level of educational attainment has different probability of being unemployed in the labour market in Bhutan
- examine whether the place of residence , gender and age make any difference in unemployment in the labour market in terms of obtaining job.

## CHAPTER II

### LITERATURE REVIEW

#### 2. Literature Review

Assan (2012), talks that education has demonstrated as the key to career advancement, employment and building up of self-confidence to grow in order to succeed through working. Significant amount of time and money have been invested by the graduates to change their lifestyle in order to achieve success throughout their life. It helps build their analytical, creative and practical intelligence to cope up with the fast growing world. We all know as a fact that education opens doors to brilliant career opportunities; it creates better prospects in career and growth –financially, emotionally, socially and intellectually. It enables the progress of a nation and enriches society and family; it facilitates advanced pragmatic thinking so, education becomes an eligibility criterion for employment

According to human capital theory, the future of the children is destined by the choice their parents make depending on the objectives, resources and constraint invested to affect their life (Wolfe, 1994). Not only children's education is burden on cost but also the cost of losing their children earning extra income for the family.

In terms of structural reform, under Human Capital Theory the additional investment in education, training and employment scheme, immigration targeting on attracting high quality human resources by means of policy framework will enhance the quality people in the labour market.

(Schultz, 1993) and Becker (1993) argues that there are different kinds of capitals that include schooling, a computer training course, expenditures on medical care. And in fact, lectures on the virtues of punctuality and honesty are also additional capital.

Education enhances adaptability to change in a history of human. Human capital theory regards early education and experiences would enhance individuals' ability to make efficient decisions in the face of changing. And Schultz (1975) reviewed and concluded that increase of education and experience would promote efficiency of the workers and the productivity.

According to Maarten (2000) claims that it is a known fact that less well-educated people have higher unemployment rates than better educated people. A possible explanation of this finding is job competition: employers prefer higher over lower educated workers for jobs that were previously occupied by lower-educated employees. As a consequence, the lowest educated become unemployed. Their study showed that the least well-educated employees have a higher risk of becoming unemployed than better educated workers. This effect of education differs by current aggregate unemployment rate and sex. Secondly, they concluded that unemployed individuals with qualifications have higher probabilities of regaining employment than the unemployed without qualifications. This effect varies by current aggregate unemployment rate, sex, and unemployment duration.

The survey over 18,000 graduates from over 40 Higher Education Institutions was conducted in two different academic years 1985 and 1990 by the University of Birmingham for the Higher Education Funding Council for England and the

National Committee of Inquiry into Higher Education reported that the earnings varies among the graduates where A-level qualification graduates earn significantly lower than that of average graduates and moreover salaries of male and female aged 20-24 earn 17% and 30% respectively higher than A-level qualification; by age 30-34 this difference had risen to 30% for male and 46% female. Significantly, it is also observed different subgroup of graduates earn differently over their working life. It was also studied that many respondents opined Higher Education and degrees help in obtaining more satisfied and interesting jobs earning high income and feel more productive.

The youth employment crisis is a global challenge, though its social and economic characteristics vary considerably in size and nature, within and among countries and region. In 2011, 74.8 million youth aged 15-24 were unemployed, an increase of more than 4 million since 2007. The global youth unemployment rate, at 12.7 percent, remains a full percentage point higher than the pre-crisis level. Globally, young people are nearly three times as likely as adult to be unemployed. ("Global Employment Trends 2012: Executive Summary," 2012)

“Over the next few decades some less developed regions will see a temporary “bulge” in the working age population relative to older and younger dependents. This “demographic bonus” offers countries an opportunity to build human capital and spur long term development-if they invest in education, jobs and health services...” (“The State of World population 1998,” 1998)

The subject of youth employment, and consequently youth transitions from education to the work force have been a popular subject, especially in developed countries.

The studies show that the educational level of the youth has a unique relationship with the employment status. Higher the level of educational attainment, the higher the chances of getting employed and on contrary the youth with no education and primary education background have a very less chances of getting employed in the labour market.

Education systems differ greatly in the way in which they try to match their outputs with the demands of the labour market. A good deal of research by sociologist over the past decade J.Allmendinger (1989);Hannan (1996) and Maurice (1998) suggests that there are two issues which are salient for how young people fare once they leave education: first, the degree to which educational systems inculcate specific, rather than general, skills and, secondly, the extent to which there are direct links between the education system and employers. A greater emphasis on specific skills and a closer link between schools and employer lead to an easier transition from education to the labour market because they send a very clear signal to employers about the potential productivity of a given job seeker in the job that the employer wants to fill.

In fact, these aspects are less distinct than they appear to be. Educational systems that teach specific skills also tend to be embedded in institutional relationships that ensure a close link between job seekers and employers, and, in turn, such arrangements can only exist given the correct institutional arrangements among employers and a particular distribution of forms of production (Estevez-Abe, 2001).

The Copenhagen Declaration and Programme of Action underlined the centrality of youth employment to social development, both through poverty alleviation

and social integration, when it called for “developing and strengthening programmes targeted at youth living in poverty in order to enhance their economic, educational, social and cultural opportunities, to promote constructive social relations among them and to provide them with connections outside their communities to break the intergenerational cycle of poverty. It also committed to “giving special priority, in the design of policies, to the problems of structural, long-term unemployment and underemployment of youth”, and called for “policies aimed to enhance employment opportunities and increasing ways and means of helping youth to develop the skills they need to enable them to find employment.”

In many developing countries, half of the population is under the age of 24 years. The improvements in living standards have been minimal and reflect no substantial change in the lives of the vast majority. As the majority of these youths live in conditions of poverty, they have limited and in some cases no access to basic water and sanitation services, health care facilities and schools. Lack of education, health services and access to the poor natural resources and limitation of earning a decent living are some of the barriers and inhibiting factors to break out of poverty (Higgins, 1997).

Many studies confess that youth unemployment has broadly similar features across countries, being heavily concentrated among the least educated. Unemployment lowers the happiness of the young retaining them to continue living with their parents, which may lessen the impact of being unemployed (Card and Lemieux, 2000 and Chiuri and Del Boca, 2008).

The fact that unemployment imposes the larger economic cost; it is felt necessary to address the prolonged youth unemployment caused by the mismatch between the education and employment. Youth can be a key agents for social change, economic development and technological innovation as they bring with them boundless energy, imagination, creativity, ideals, and a limitless vision for their future and the societies in which they live. If not utilized, they are a wasted resource. Therefore it is imperative that youth are harnessed as part of society by means of providing sustainable and decent employment and livelihood opportunities for them (*Youth Unemployment: The Current Scenario- Prepared by the Youth Employment Summit Secretariat, may 2002*).

During the World Summit for Social Development and the twenty- fourth special session of the General Assembly, concern also rose that the persistent growth of youth unemployment has a negative impact on social development, particularly due to remaining unemployed for long time would develop frustration, low self-esteem and confidence leading to the marginalization and exclusion and finally resort to drug, disease and crime.

The rate of young women unemployment is higher than men because youth in rural areas face different challenges from their urban peers. Besides, young people with disabilities continue to face enormous challenges in the labour market. In some countries, ethnicity, particularly among young migrants, is a factor in their social exclusion and marginalization ("Report on the forty-fifth session," 2007).

Young people who emerging into the labour market from education and searching their jobs for longer period are likely to remain unemployed not able



to meet their expectations, aspirations and plans and can affect their prospects for the rest of their lives (Bivand, 2012).

The transition between the school and work become an important period for many countries. During such circumstances, Nordstrom (2011) suggests that early experiences in the labor market shape individuals' way in becoming fully employed adults. And Holzer (1999), who studied Job stability during the initial years of employment and its consequences have been studied found that increased tenure has a positive short-term effect on employment for young workers, since instability usually declines as workers grow older. They argue that churning amongst young workers is mostly due to the difficulty of finding a proper employment match in the first job. In fact, Neumark (2002) suggests that the earnings gain associated with one additional year of experience for young workers lies between 7-13% for men and 12-24% for women in the US, which may reveal that obtaining a good match instead of shopping around has its advantages.

Human Capital Theory explains early education and experiences are viewed as the important tools in preparing individuals into a productive resource in the fast growing world. And Schultz (1975) added that additional educational attainment and experiences gained from schooling prove to be more efficient in making decision to improve in the changing economies of the consumers, households and workers.

The survey by the University of Birmingham for the Higher Education Funding Council for England and the National Committee of Inquiry into Higher Education reveals that there are larger differences in the earnings between the different

graduates and differences are most evident across gender, degree class and subject.

The research by David (2001); Michael (2005) and Oreopoulos (2009) has shown that education has substantial impacts on labour market outcomes such as earnings and employment as well as non-market outcomes such as health, longevity, civic participation and criminal activity.

As Schultz (1975) concluded in his survey based on studies of the agricultural sector that additional education and experiences would help increase productivity efficiently through right decision making by the consumers, households and workers and they are adaptable with more rapid adjustment to changes in economic opportunities. Drawing on sociological and psychological literature, Fullan and Loubser (1972) identify various dimensions of adaptive skills, and analyze qualitatively the relationship between education and major dimensions of adaptive capacity: the capacity for variation (the ability to generate new ideas and alternative solutions to problems) and the capacity for selective retention (the ability to evaluate and consequently select and apply new ideas to the solution of problems). Studies such as Globerman (1986) and Bartel and Lichtenberg (1987) conclude that better educated workers have a comparative advantage with respect to adjustment to and implementation of new technology.

Farber (2004) finds that job losers with higher levels of education have higher post-displacement employment rates and are more likely to be reemployed full-time. Using UK data, Nickell (1979) analyzes the relationship between education and the incidence and duration of unemployment. He concludes that each year

of schooling up to 12 years reduces the expected duration of unemployment by over 4 percent, and that the acquisition of qualifications at ordinary levels or above reduces the expected unemployment duration by 12 percent. Mincer (1991) similarly demonstrates shorter duration of unemployment for better educated workers.

The problem of gender stratification in the modern educational system does not exist; girls and boys have equal opportunities for the education. The issue of gender equality in the educational system is particularly underlined in the Universal Declaration of Human Rights stating that everyone has the right to education without distinction of any kind, such as race, social origin or sex. At least for the considerable part of the world's population a problem of women's access to education does not exist anymore. On elementary and secondary educational levels the female pupils and students have better academic performance than the male and this tendency also continues at the higher educational levels.

Tinklin (2003), research showed that while every aspect of school culture can influence levels of attainment, the changing values of young women, particularly in relation to careers and employment, rather than differences in schools themselves, impacted strongly on girls' more positive attitude to education.

While gender gaps in academic performance appear very early in school life so do disparities that emerge between and within ethnic groups (Brunn, 2008).Lappalainen (2004) ethnographic study in Finnish pre-schools showed that despite a discourse of equality and multiculturalism, hierarchies of expectation existed amongst staff and children in relation to both gender and ethnicity.

These assumptions were further mediated by social class: when ethnic minorities were socially privileged, ethnic diversity was interpreted as "cosmopolitanism". This in turn reduced the extent to which gender and ethnicity was viewed as problematic even when it was connected to poorer academic performance (Ibid: 652). While ethnic diversity was viewed as colourful and interesting rather than educationally challenging in a middle class setting, that was not the case for ethnic minority children from low income backgrounds. When ethnicity was associated with poverty it was constructed as a social problem.

Families of diverse ethnic and belief backgrounds may also hold different perspectives on gender equality. Recent research from Germany shows that there are quite significant differences not only between secularist and religious groups in their degree of adherence to gender equality principles, but also between people from different cultural traditions regardless of religiosity (Diehl, 2009). Across Europe, different standpoints have been taken on public displays of religious symbolism in schools that vacillate between the rights-based claims of religion and cultural minorities (e.g. around the wearing of the hijab or veil), to counter rights-based claims by secularists and women's groups that common schools and public institutions must remain free of the symbolism of religious beliefs (Fekete, 2004); (Ghodsee, 2007) and (Kiliç, 2008).

## 2.1 Conceptual Framework

From the literature review it is clear that the level of education has greater influence in the labour market. The higher is the educational attainment the higher is the chances of gaining employment in the labour market.

There are also differences in employment by sex and place of residence as evidence from many literatures that there are more female unemployed than males due to the women are educationally lower.

In the conceptual framework below, Employment (Employment = 0; Unemployment = 1) is the dependent variable. If a person has performed some paid work in cash or in kind, during the reference period for at least one hour or the person has a job or business formally attached but temporarily absent from the work and going to resume the work is employment and Unemployment is based on three categories which are to be followed simultaneously. They are; 'without work', 'available for work', and 'seeking work'.

Independent variables are categorized into two groups. The first is demographic characteristics of the individual in the labour force i.e., age, sex and place of residence. The second group is the social factor which explain the individual level of education, types of education (Vocational training, NFE, etc.).

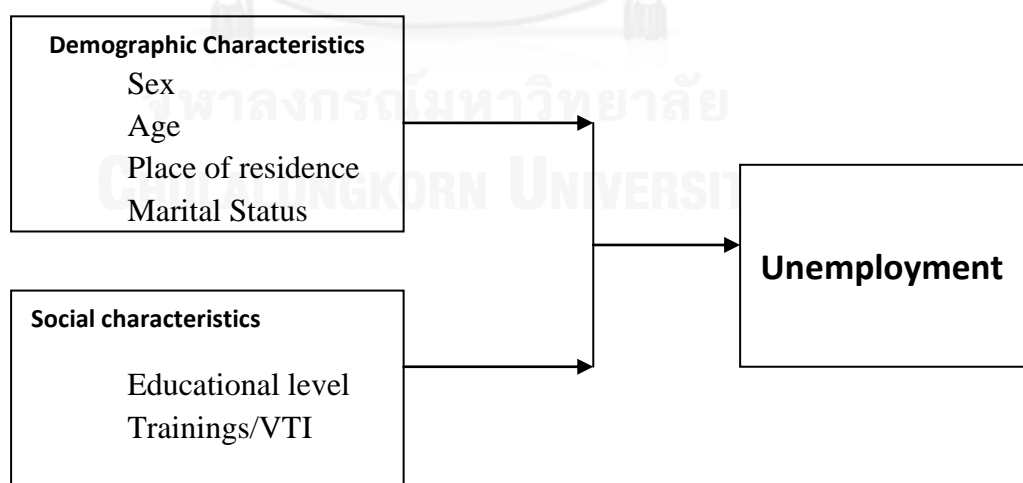


Figure 2. 1 Conceptual Framework

## 2.2 Hypothesis

On the basis of literature and conceptual framework the following hypothesis will be tested for assessing the factors influencing unemployment.

1. Men and women have difference in education level.
2. Level of acquired education has a negative relationship with unemployment status when the covariates age, gender, place of residence are held constant.
3. There is more youth unemployment than adult unemployment in Bhutan.



## CHAPTER III

### METHODOLOGY

For the purpose of this study, the secondary data on National Labour Force Survey 2012 conducted by the Ministry of Labour and Human Resource will be used according to the need of data characteristics of the study.

In total of 734,850 populations were surveyed where 522,367 were persons aged 15 years and over and 212,483 person were aged below 15 years. Out of 522,367 persons aged 15 years and over, only 336,921 were in the labour force. From the total labour force, 329,391 were employed and 6,904 were unemployed. Rest 185,976 were age 0-14 years who were not in the labour force and excluded from the sample as this group are under age to be in the labour force.

To examine the factors associated with the employment, only the demographics characteristics and level of educations with dependent variable were selected to examine this study.

#### 3.1 Sample design and Coverage

Following are the strategies used for the collection of samples:

**Population:** The population for Survey consists of all the urban and rural areas of Bhutan i.e all the 20 Dzongkhags.

*i. Sampling Frame:* The sampling frame has been developed by the National Statistics Bureau. Each town in a Dzongkhag has been divided into numerous enumeration blocks. The block for the urban has been demarcated by the Department of Urban and Housing Development,

Ministry of Works and Human Settlement. Enumeration blocks for urban and Chiwogs for rural have been considered as Primary Sampling Unit (PSUs). The households in both urban and rural were considered as Secondary Sampling Unit (SSUs).

- ii. Stratification Plan:* Each Dzongkhag is considered as primary stratum and the stratifying factors used were the geographical demarcation of the administrative boundaries. There were two sub-strata namely urban and rural.
- iii. Sampling Design:* A stratified two-stage sampling method has been adopted for the survey as follows.

  - a. Selection of primary sampling units (PSUs):* The blocks and the Chiwogs have been taken as the PSUs in urban and rural respectively. In both the urban and rural areas the blocks and Chiwogs were selected with the assignment of Probability Proportional to Size (PPS).
  - b. Selection of secondary sampling units (SSUs):* The households in the sampled blocks and Chiwogs were considered as SSUs. A fixed number of sampled households have been selected from the selected PSU's by Circular Systematic Sampling (CSS) method after listing the households present in blocks and Chiwogs exhaustively.
- iv. Sample size and its allocation:* With the resources at our disposal, the nature of population distribution and the variability of characteristics for which the estimates are to be made, a sample of 12000 households have



been found appropriate to provide reliable estimate of key labour force characteristics. It is also based on the past experiences.

### 3.2 Method of data collection

Data have been collected by direct interview method. There were 64 enumerators, 8 supervisors and one field coordinator for duration of 33 days. The survey was launched with representative sample size of 12,000 (9.3%) households out of 131,194 total households.

**Table 3. 1 Distribution of Sample**

Area of Residence	Total number of block/Chiwogs	Sampled blocks/Chiwogs	Total hss (N)	Total sampled hss covered(n)	Sampling fraction(n/N)
Urban	312	272	43390	9000	1/5
Rural	1908	200	87804	3000	1/33
Total	2220	472	131194	12000	1/11

( Source: National Labour Force Survey 2012, MOLHR)

### 3.3 Method and data analysis

To examine the relationship between the independent variables and dependent variables, first bivariate analysis is conducted to know the direct relationship or association between independent and dependent variable. Since dependent variable is categorical variable with two categories (employment and

unemployment) and independent variables are continuous, ordinal and nominal, therefore, Chi-square test is conducted when independent variable is measured on nominal or scale and T-test statistics when independent variable is measured on ratio or interval scale to test the association between independent and dependent variable.

In order to analyse the association between dependent variable and independent variables by controlling other variables, the multivariate analysis will be conducted. As the dependent variable is categorical, Binary Logistic Regression is going to be used.

Similarly Binary Logistic Regression Model will be used between other explanatory variable to test their association. In the model below, dependent variable is binary where employed=0, and unemployed=1 and independent variables are socio-demographic variable such as sex, age, area and the level of education or training they obtained.

$$\text{Unemployment} = \beta_0 + \beta_1^{\text{Female}} + \beta_2^{\text{Youth}} + \beta_3^{\text{Middle age}} + \beta_4^{\text{Urban}} + \beta_5^{\text{No}} \\ \text{education} + \beta_6^{\text{Lower Secondary}} + \beta_7^{\text{Higher Secondary}} + \beta_8^{\text{VTI/Trainings}} + \beta_9^{\text{Degree and}} \\ \text{above} + \beta_{10}^{\text{Bumthang}} + \beta_{11}^{\text{Chhukha}} + \dots + \mu$$

The description of variables are presented in Table 3.2 below:

**Table 3. 2 Variables' Description**

Variable Names	Description	Measurement scale		
Sex	Sex of the people of labour force	Dummy		
		Male	0	
		Female	1	
Age	Age in the labour force in completed years in 3 categories	Dummy	Yes	No
		15-19	1	0
		30-49	1	0
		50-64	1	0
		>65	1	0
Education	Education of people in labour force	Dummy	Yes	No
		No Education	1	0
		Lower SS	1	0
		Higher SS	1	0
		VTI/Training	1	0
		Degree +	1	0
Employment Status	Working age people in the labour force	Dummy		
		Employed	1	
		Unemployed	0	
Residence	Area	Dummy		
		Urban	1	
		Rural	0	

## CHAPTER IV

### RESEARCH FINDING

#### 4.1 Socio-demographic characteristics of Labour force

It has been discussed under the literature review that the employment is determined by the level of educational attainment and other demographic characteristics such as gender, place of residence and age. Many studies argued that the higher the level of educational attained, the higher is the likelihood to be employed and those with lower education level are lowly employed or remained unemployed.

Table 4.1 is the percent distribution of respondents (n = 336,745) by the socio-demographic characteristics. Out of the total respondent, 51% are males and 49% females, of which 73% live in urban and only 27% live in the rural area. By age composition, 46% in the labour force are age 30-49 years and 31% are age 15-29 years and 23% of labour force are age 50 and above. It is observed that 62% of labour force has no education. 48% has acquired education or trainings.

Table 4.2 presents the result of bivariate analysis and explored the association of socio-demographics characteristics of labour force and Table 4.3, will examine the association between the education and demographic characters (sex, age and place of residence). In the last two sections, Table 4.4 and Table 4.5, results of the multivariate regression analysis which helped to identify factors influencing employment in the labour force market.

#### 4.2 Association between the employment and socio-demographic characteristics.

This section examines the association between the employment and socio-demographic characteristics. Since the employment is the outcome variable

(Dependent variable) and is determined by the other socio-demographic factors (Independent Variables). Therefore it is important to examine the association between the employment and independent variables (Education, gender, place of residence and age).

#### 4.3 Employment and education

Bivariate analysis was performed and shows there is strong and statistically significant ( $p < 0.001$ ) between education and employment.

It is found (Table 4.2) that people with higher education is more likely to be unemployed. For example, labour force with degree and above are having 4.7 times the odds of unemployed that that of people with no education. Similarly labour force with no education (0.7%) is less likely to be unemployed than those who attended Lower secondary School (2.7%) and Higher Secondary School (6.2%) but labour force who have VTI/Trainings (certificates, diploma, vocational trainings (1%)) has no difference with that of no education.

Labour force with no education has low unemployment as it is discussed earlier that about 62.2% of the population are agriculture in occupation and they are employed in the agricultural sector. Moreover, people those are not education need not have to wait for the works as they work for full time in agriculture sector or in the construction area which demand lot of manual. But in case of population with degrees and above resulting to higher unemployment could have been derived from the retirees and old age workforce during the time of survey. It could be also due to the time of survey that corresponded with the graduation of the graduate and during the time where recruiting in the works was not commenced. Another possible result could be also due to the aspiration

and expectations of the job seekers whose aims are so high that every job seeker wanted to get employed in the civil service with good remuneration and high status.

#### 4.4 Employment and Gender of labour force

Sex is positively associated with unemployment and statistically significant ( $p < 0.001$ ).

Results in table 4.2 shows that female are more unemployed (2.2%) comparing to males (1.9%) and similarly 98% males are employed than females with 97%. There is not much difference.

#### 4.5 Employment and place of residence of labour force

Place of residence does play an important role in the labour market. It is noticed that place of residence is positive and statistically significant associated with employment. ( $p < 0.001$ )

Finding (presented in table 4.2) explain that 98.5% of labour force in rural area are employed while comparing to the labour force in the urban with 97.5% employment and there is more unemployment in urban (3.5%) than in rural (1.5%)

Table 4.5 shows that urban-female is 5.6% unemployment comparing to rural-female which has 1.2% unemployment. On the other hand there is no difference in unemployment between urban-male and rural-male with 2% and 1.9% respectively.

#### 4.6 Employment and Age in the labour force

There is strong association between age and employment and is statistically significant ( $p < 0.001$ ). It is noted that younger the age more the unemployment and vice versa. For example, aged 30-49 (99.2%), 50-64 (99.5%) and 65 years and more have 100% employment compared to aged 15-29 (95.9%). The probable reason for the full employment could be because older workers are mainly employed in public service or in private sector or they are self-employed after them retired and most of the older workers contribute to family workers.

There is more youth unemployment than the adult unemployment.

**Table 4. 1 Percent Distribution by sample of respondents' socio-demographic characteristics (n=336,745))**

Characteristics	%
<b>Gender</b>	
Male	51
Female	48.9
<b>Place of residence</b>	
Urban	72.8
Rural	27.2
<b>Age</b>	
15-29	31.4
30-49	46.2
50-64	17.8
>65	4.5
<b>Education Level</b>	
No Education	62
LSS	15.2

HSS	14.3
VTI/Training	4.3
Degree and above	4.1
<b>Total</b>	<b>100</b>

Table 4. 2 Percent distribution of employment status of respondents  
by socio-demographic characteristics (n =336,745)

Characteristics	Employment	
	Employed	Not Employed
<b>Gender</b>		
Female	97.8%	2.2%
Male	98.1%	1.9%
<i>P</i> Value( $\chi^2$ )	0.000	
<b>Place of residence</b>		
Rural	98.5%	1.5%
Urban	96.5%	3.5%
<i>P</i> Value( $\chi^2$ )	0.000	
<b>Age</b>		
15-29	94.9%	5.1%
30-49	99.2%	0.8%
50-64	99.5%	0.5%
>65	100.0%	0.0%



$P$ value( $\chi^2$ )	0.000	
<b>Education</b>		
No Education	99.3%	0.7%
Lower SS	97.3%	2.7%
Higher SS	93.8%	6.2%
VTI/Training	99.0%	1.0%
Degrees & above	93.7%	6.3%
$P$ Value( $\chi^2$ )	0.000	

---

#### 4.7 Education and Gender

Education and sex has strong association with unemployment and statistically significant ( $p < 0.001$ ).

Data (Table 4.3) indicates that males are more educated than that of females. For examples, in all levels of educational attainment, there is high percentage of education of males than in females; no education (males:53.9%, Female: 69.7%), LSS (males:19.2%, Female: 11.4%), HSS (males:16.1%, Female: 12.6%), VTI/Trainings (males:5%, Female: 3.7%), Degree and above (males: 5.5%, Female: 2.6%).

#### 4.8 Education and place of residence

Education and place of residence has strong association with unemployment and statistically significant ( $p < 0.001$ ).

Result of bivariate analysis shows that there is not much difference in the educational level attained between labour force living in urban (72.2%) and rural

(34.6%) with no education. There is more urban educated that attained degree and above (11.9%) than in rural (1.2%). And there is great gap between the urban and rural that attained higher secondary school which is 33.2% and 7.3% respectively.

#### 4.9 Education and age

In terms of education and age, they are closely correlated to each other and statistically significant.

There are older people in the labour force who are with no education than the younger group. As indicated in the table 4.3, youth aged 15-29 years are more educated than the other age groups in all levels.

Table 4.4 compares the employment status amongst the 20 Dzongkhags (Districts). While cross tabulating, it is observed that those dzongkhags which are away and less access to the modern facilities from the district like Gasa (100), Pema Gatshel (0.4 %), Samdrup Jogkhar ( 0.2%), have less unemployment those nearby the capital Thimphu such as Paro(2.7%), Tsirang(3.3%), Samtse(3.6%).

The explanation could be due to Rural-Urban migration. The people in the labour force migrate to the urban with a hope to get employed either in the government or in the private firms. However, these employers are unable to absorb the ever increasing urban labour force.

Table 4. 3 Percent distribution of educational level of respondents by the demographic characteristics (n=336,745)

Characteristics	Education					Degrees & above
	No Education	Lower SS	Higher SS	VTI/ Training		
Sex	Female	69.7%	11.4%	12.6%	3.7%	2.6%
	Male	53.9%	19.2%	16.1%	5.0%	5.8%
	<i>P Value(x<sup>2</sup>)</i>	0.000				
Place of Residence	Rural	72.2%	13.8%	7.3%	5.4%	1.2%
	Urban	34.6%	18.7%	33.2%	1.5%	11.9%
	<i>P Value(x<sup>2</sup>)</i>	0.000				
Age	15-29	40.1%	21.5%	26.4%	5.1%	6.9%
	30-49	64.6%	15.4%	11.9%	4.4%	3.7%
	50-64	85.9%	6.6%	2.9%	3.3%	1.2%
	>65	93.1%	2.4%	.8%	3.1%	.5%
	<i>P Value(x<sup>2</sup>)</i>	0.000				

Table 4. 4Percent distribution of employment status of respondents by Dzongkhag/Districts (n =336,745)

Dzongkhag/Districts	Employment		Total
	Employment	Not Employed	
Thimphu	95.7%	4.3%	100%
Bumthang	99.7%	.3%	100%
Chhukha	98.5%	1.5%	100%
Dagana	97.3%	2.7%	100%
Gasa	100.0%	.0%	100%
Haa	99.6%	.4%	100%
Lhuntse	98.8%	1.2%	100%
Mongar	98.4%	1.6%	100%
Paro	97.3%	2.7%	100%
Pemagatshel	99.6%	.4%	100%
Punakha	98.4%	1.6%	100%
Samdrupjongkhar	99.8%	.2%	100%
Samtse	98.2%	1.8%	100%
Sarpang	96.4%	3.6%	100%
Trashigang	98.4%	1.6%	100%
Trashiyangtse	98.8%	1.2%	100%
Trongsa	96.9%	3.1%	100%
Tsirang	96.7%	3.3%	100%
Wangdi Phodrang	98.4%	1.6%	100%
Zhemgang	97.4%	2.6%	100%
<i>P Value(<math>\chi^2</math>)</i>	0.000		

Table 4. 5 Percent distribution of employment by gender by area

Table 4.5 Percent distribution of employment by gender by area			
Characteristics	Employment		Total
	Employed	Unemployed	
Urban-Male	98.0%	2.0%	100%
Rural-Male	98.1%	1.9%	100%
Urban-Female	94.4%	5.6%	100%
Rural-Female	98.8%	1.2%	100%
	<i>P-Value = 0.000</i>		

### Determinants of Employment

In this section, result of multivariate logistic regression analysis are presented (Table 4.6) and discussed to determine the factors that influence populations in the labour force in the labour market. The dependent variables are binary. Logistic regression analyses is used to identify relationship between dependent variable and independent variables in table 4.6

The result of model (Table 4.6) in which employment as dummy variable i.e., 'employed' coded as 0 and 'not employed' as 1 is dependent variable and education, gender, age and place of residence are independent variables.

It has been observed that from bivariate analysis presented in section 4.2, that all the socio-demographic characteristics are significantly associated with the employment.

Education and all other demographic characteristics are positively related with the labour market. Education is proved to be strong predictor of the employment. Data suggest that the odds of populations in the labour force with degree and above of being unemployed are 5 times more than the odds of no education and it is statistically significant ( $p < 0.001$ ). Whereas the odds of lower secondary education and higher secondary education of being unemployed are 2 and 4 times more respectively the odds of no education. But the odds of VTI/Trainings of being unemployed has no difference with the odds of no education.

Similarly age in the labour force is also found to be an important predictor in predicting employability in the labour market. The cross tabulation result (Table 4.2) predicted that increase in age has high chances in the labour market than that of younger age. As evidenced in the result, the odds of populations aged 30-49 years being unemployed versus employed is 80% lower than the odds of populations in the labour force aged 15-29 years. Labour force populations aged 50-64 years have the odds ratio of being unemployed to employed is 79% lower and labour force population aged 65 years and above has 98.5% lower than the odds of youth population in the labour force aged 15-29 years.

Gender and place of residence are positive and statistically significant, ( $p < 0.001$ ). Male has about 16% lower odds than female to be unemployed and the odds of urban population in the labour force being unemployed is 1.140 times more the odds of rural population in the labour force.

While comparing the odds ratio between the different Dzongkhags (20 Districts), the result indicates that nearer the districts to the capital district Thimphu, the

odds of being unemployed versus employed increases and further the districts away from Thimphu, the odds of being unemployed seem to be dropping down. For instance, the districts which are far away from Thimphu like Bumthang, Gasa, Haa, Pemagatshel and Samdrup Jongkhar, the odds of labour force being unemployed to employed is 80% - 90% lower than the odds of Thimphu while the odds of those districts that are nearby the capital are between 1.027(Samtse) times to 1.544(Tsirang) times more the odds of labour force in Thimphu. Zhemgang district which is considered the remotest and furthest has the odds of 1.623 times more the odds of Thimphu. Some district such as Sarpang although it is not very far from the capital, the odds which shows 1.650 appear to be higher comparing to Thimphu and other districts. In the rest of the districts, the odds range from 12% to 50% percent lower of being unemployed to employed than the odds of Thimphu.

When interacting between the sex and the place of residence, Multivariate Logistic Regression analyses result shows that the urban-male has 16% lower odds of being unemployed than the rural-female whereas the odds of rural-male is 1.606 times higher the odds of rural-female and urban-female is 2.162 times higher of being unemployed than that of the odds of rural-female in the labour force participation.

Table 4. 6 Unemployment Logistic Regression (Odd Ratios)

Characteristics	Model -I	Model -II	Model -III
<i>Male</i>	.848**	.844**	
<i>Urban</i>	1.124**	1.140**	
<i>15-29</i>			
30-49	.205**	.198**	.205**
50-64	.211**	.209**	.207**
65+	.014**	.014**	.013**
<i>No Education</i>			
LS School	2.441**	2.456**	2.372**
HS School	4.726**	4.401**	4.273**
VTI/Trainings	1.015	1.432**	1.420**
Degrees & above	5.198**	4.686**	4.649**
<i>Thimphu</i>			
Bumthang		.123**	.131**
Chhukha		.599**	.605**
Dagana		1.321**	1.331**
Gasa		.025*	.024**
Haa		.208**	.201**
Lhumtse		.511**	.524**
Mongar		.746**	.769**
Paro		1.239**	1.235**
Pema Gatshel		.220*	.223**
Punakha		.854*	.851*
Samdrupjongkhar		.097**	.096**
Samtse		1.027	.981
Sarpang		1.650**	1.757**
Trashigang		.876	.883
Trashiyangtse		.519**	.527**
Trongsa		1.354**	1.447**
Tsirang		1.544**	1.494**
Wangdi Phodrang		.739**	.754**
Zhemgang		1.623**	1.665**
<i>Rural-Female</i>			



Urban-Male	.843**
Rural-Male	1.606**
Urban-Female	2.162**

\* Statistically significant at 95%

\*\*Statistically significant at 99%

Observation	0(employed) = 329841 1(unemployed) =6904	0(employed) = 329841 1 (unemployed) =6904	0(employed) = 329841 1(unemployed) =6904
-2 Log Likelihood	57618.427	56018.688	55255.491
Pseudo R-Square	Cox & Snell R Square =0.028 Nagelkerke R Square = 0.157	Cox & Snell R Square =0.033 Nagelkerke R Square = 0.182	Cox & Snell R Square =0.035 Nagelkerke R Square = 0.194
P-Value	0.000	0.000	0.000

## Discussion

This study explored factors that influence the employability of labour force population in Bhutan. There are number of factors which determine an employment in the labour force participation. The major factors that determine an employment are the education, age, gender and place of residence.

According to (Maarten, 2000) claims that it is a known fact that less well-educated people have higher unemployment rates than better educated people. The empirical result shows that the labour force populations with higher educational attainment are less likely to be unemployed with lower educational level or with no education. Education is likely to enhance the youth entering the labour market develops greater confidence and capabilities to perform better in their field of work. The study also shows that the education between male and

female are different where males are more educated than female in all levels. Education differences also found between the urban and rural populations.

Across the entire OECD, the unemployment rate for 25 to 34 year olds who hadn't completed secondary education was 18.1 per cent in 2011; for those with tertiary qualifications in the same age group, the unemployment rate was a mere 6.8 per cent. For workers aged 55 to 64, the gap was far less pronounced: 8.8 per cent for those without a secondary education, 4 per cent for those with a tertiary degree ("Education at a Glance," 2013) This study also show that age in the labour market is one of the most important determinants of an employment. There is high youth (15-29 years) unemployment than other age groups in the labour force participation.

This study also made an attempt to examine the relationship between the sex and employment and also the relationship between the place of residence and employment. The results show that sex and place of residence have strong relationship with employment. It is studied that females are more unemployed than that of males and urban populations have more unemployment than that the rural population in the labour force.

Throughout the world, unemployment is concentrated in the urban areas (Anh et al., 2005; HRD report, 2005; NLFS, 2009; BLSS, 2007; (Higgins, 1997). Bhutan is not exceptional because the development starts from the urban to rural are by establishing necessary infrastructures like government institutions, corporate offices, business structures and other accessibilities for the human settlement. For example, the modern city like Thimphu, Paro and Phuntsholing in Bhutan are now a point of attraction to many Bhutanese youth living in the rural village.

Furthermore, Urban town serve more economic opportunities and employment influence a large group of people from rural areas particularly youth (15-24 years old). The Agriculture Ministry (2005) reports that youth age 16-30 years accounting 44% and with primary education (63%) or higher migrate to urban centers for want of good job.

Urban-Females with higher secondary and above and living nearby by the capital of Bhutan, Thimphu is more likely to be unemployed comparing to females, residing in rural areas who have primary or lower secondary school or no-education and located away from the capital. And there is not much difference in unemployment between the urban-males and rural males but there is a difference of about 2% between the urban males and urban females. However, at this point it is difficult to conclude that demographic and socio-economic factors determine the youth unemployment because many studies claim there are other factors regarding the demand and supply of labour which has greater influences in the labour market.

Higher female unemployment rate comparing to male in Bhutan could be because of presence of gender discrimination and preference for male workers especially in private and cooperative sectors. In 2009, vacancy of 2749 were announced for the employment in private and corporation sectors demanded 92% of males employee and only 8% demanded female workers (*National Labour Force Survey Report 2009*, 2009). This clearly shows that in many ways women are considered incompetent compared to men, besides they are prompted as weaker sex and low educational level comparing with males (Rahman, 2005).

There is more youth (15-24) unemployment and it's a pressing issue to be considered in Bhutan. This is because Bhutan has a young population demographically and the youth constitute 38 percent of the total labour force. The increase of young labour force can be positive if there are enough market to employ so as to reap a demography dividend but on other the increase of youth can be destructive socially and economically because of unemployment (Leiner-Killinger, 2008). And similarly, Higgins (1997) assessed that an increase in relative size of young population of 10 percent will raise the youth unemployment by around 5 percent . Moreover, youths are believed to be disadvantaged in the labour market as they are required to possess working experience with appropriate skills which they lack as the first time job seekers. (*Bhutan national human development re- port: the challenge of youth employment.* , 2005).

The study also reveals that youth (15-29) have higher unemployment rate comparing to other age groups (30 years and above). The causes of youth unemployment may be attributed to several reasons. The rapid population growth and significant growth in school enrolment has created a large number of youth entering into the job market in search of jobs. Due to limited professional opportunities for young people to continue further studies contributed to a very high unemployment rate, among other factors summarized below.

#### **a. Poor quality of education**

Call for a excellence in education had been a long time story in Bhutan. The policy makers and citizens of Bhutan now aware that the graduates produced by the current education system do not fulfill the needs and expectations of employers due to the teaching methods and strategies incorporated in the

education system does not help children in the schools benefit enhancing critical thinking, creativity, innovation and gain confidence to be applied in the labour market (Rinchen, 2008).

The fact that most job seekers are those students who are unable to continue further studies as there are only limited seats available in the various schools and institutions which are meant for only high achievers in the country. Those who qualify higher studies are on full government scholarship. Many schools and institutions are established in Bhutan in order to ease an unemployment problem as most of the youth drop outs due to limited absorption in the higher education (Kinga, 2005).

#### **b. Mismatch between job seekers and employers**

There is a mismatch between the job seeker and the employer in the labour market due to the fact that youth have different level of education background with limited skills and experiences demanded by the employers for the jobs available in the labour market. From the establishment of many vocational and training institutions, many youth gain technical skills that would serve immediately in their jobs but people with these skills are reluctant to take up the jobs offered by the employer due to low salary and other facilities for better working environment. As consequences, these skilled job seekers are replaced with cheap waged labourers emigrated from India.

The professional graduates such as teacher, engineers, physicians and nurses are able to get employed without much problem because the country is lack of qualified personnel in such areas. For example, additional of 900 nurses, few

doctors and many more technicians are required in the health services but only about 50 nurses, 30-40 technicians and countable doctors are produced by the education system in Bhutan.

Among the job seeker entering the labour market (Kinga, 2005), found that most of the professionals such as nurses, teachers, engineers, doctors, technicians, physicians do not encounter much obstacles in finding a job unlike the general graduates. Bhutan still faces shortage of qualified personnel, for example, there shortage of 900 nurses, a few hundreds doctors and technicians but Bhutanese institutions could produce onle about 50 nurses and 30-40 technicians in a year. This is due to the fact that the country currently lacks qualified personnel in such areas. On other hand, high demand sector from the construction industry and factories for skilled labour are increasing with the pace of developmental activities.

Unemployed people in the job market are those graduates bearing qualification only up to grade twelve comprising about 70% or general graduates whose job market is now saturated as job seekers lacks competencies demanded by the employer who prefer specialized employee. Hence, there evolve the mismatch between the job seekers and employers; that is job seekers unable to find employment and employer unable to skilled and specialized employees.

### **c. Preference for civil service jobs than in the private**

With the government's policy for maintain small and compact civil service, graduates aspire to obtain jobs in civil service which they thought to be the best employer. The majority of young graduates give their best to employ under the

civil service due to job security and other opportunities like further studies and training abroad.

For example, in 2001, there were 289 graduates and only 25 out of 44 who sat for the civil service examination were selected. Likewise, 30 from 62 were selected in 2003 and from the pool of 75, only 30 got through the selection interview.

The main reason why graduates are not attracted in the private sector is the lack of conducive working environment and perks like foreign travel, pension schemes and job security is not certain (L. K. Dorji, S., 2005).

The government of Bhutan fully depends on private sector to boost the socio-economic but due to small scale of industries and production; private sectors are unable to meet the high expectations for job creation. On other side, Bhutan's youth has a notion that employment in the private sector is the issue of job security and the sustainability of the firm that would displace their employment (*Labour Market Information Bulletin 2009*, 2009).

Another reason of more unemployment is due to the labour imported from India which is readily available at the cheaper wage. Since young educated in the rural villages do not take up the manual jobs desiring for better and comfortable works, Indian labours was seen as alternative to engage in the manual jobs. The government has realized that Bhutanese must gradually replace imported labour basically to create employment to our job seekers and minimize unemployment by providing better working conditions unlike in the civil service.

#### **d.Negative attitude towards blue collar jobs**

Youth in Bhutan remain unemployed as their expectations are so high that everybody wanted white collar- jobs. They view blue-collar job as the jobs of illiterate farmers and it's the jobs inherited from generations to next generation. Another reason of the job seekers not willing to work in blue collar job is the expectations of income do not match with what they hoped for and issue of dignity. Young graduates in the labour force are of the view that they deserve better opportunities as they are qualified and refuse to take up those jobs available in the labour market and resulting to high youth unemployment.

The education enhances the opportunities in the labour market; more qualified people enjoy better job and have greater choices. It is argued that youths who are educated in the developing and less developed countries are susceptible to unemployment. Same in Bhutan, more educated in the labour force are unemployed because they have to fulfill the pre-requisition such as requirement to produce Graduate Orientation Certificate during the job interviews. The graduate orientation program is held after few months of their graduation and they further have to wait another nine months for the Royal Civil Service Commission for the civil service selection examination. Within this long time gap, young graduates are jobless. Another factor resulting high youth unemployment is the timing of survey conducted might have coincided when the schools were closed and young graduates were between the schools and jobs. Youth with high educational attainment has high expectations and aspirations which in turn continue to wait till the right jobs are obtained. The high unemployment amongst high school graduate could be associated with the lack of necessary



skills and proficiency required by the employer in the labour market (HRD report, 2005). The youth unemployment varies region to region and found that western region (8.1%) has twice the youth unemployment in central (4.4%) and eastern region (4%). The differences may be attributed to regional disparity in developmental activities.

On the context that agriculture is the occupation for the major population in the rural Bhutan and promotes Bhutanese culture and tradition lives intact. Now with the increase of enrollment of children and more graduates coming out of the schools and depriving labour in the agriculture sector who continue to migrate from rural employed to the urban unemployment even more increase in urban unemployment.

As discussed, people with no education are more employed than those with High school and degrees which constitutes 0.7% of unemployment with no education compared to 6.2% and 6.3% of unemployment with HSS and degrees. It can be justified that labour force with no education constitutes of 84% in the rural area to 15% in the urban and 90% with Vocational Training but only 21.7% of labour force with degrees. It is also evidenced that about 60% of labour force in Bhutan work in agriculture and 19% in private business, only 13.5% are government employee and rest are employed in corporations, armed forces and NGOs.

### **Limitation of study**

The study is limited to the availability of the data collected by the Ministry of Labour and Human Resources, Bhutan.

Firstly, important variable like marital status might have greater impact in the labour market. This variable is omitted in the analysis because there is no data on marital status available in the data used. This problem of omitted variables might result in a bias in the estimated effects of variables related to marital status such as age and education.

Secondly, there may be other socio-economic variables that are found to be important to affect labour force participation such as training and experience. Since we lack the data on such variables, the education effects estimated in this paper may be biased.

Thirdly, the fact that graduates prefer public-sector jobs might have some effect on unemployment as public sector jobs are only available at a certain period for qualified graduates. This might also bias the result on the effects of education on unemployment.

## CHAPTER V

### CONCLUSION

On the basis of research finding and discussion presented above, it is concluded that the labour force populations with higher educational attainment are less likely to be unemployed with lower educational level or with no education and there is high youth (15-29 years) unemployment than other age groups in the labour force participation. It is also concluded that females are more unemployed than that of males and urban populations have more unemployment than the rural population in the labour force.

The young people most often do not possess the appropriate skills or experience and usually takes longer time to get into a job (T. Dorji, 2011). Youth unemployment is also a result of mismatch of skills and expectations. Most of the job seekers are racing after the white collar jobs, be it in the private or in the public sectors with the notion that blue collar jobs are meant to those illiterate ones (Rinchen, 2008). There is also a limited absorption capacity in public sectors. Most of the youth prefer civil service keeping in the view of security, dignity, training and career opportunities associated with it. The slow growth of private sectors has created only fewer job opportunities. Moreover, the youth feel insecure to work under private sector. The imported labours from India also contribute to the unemployment problem. There are huge chunk of expatriate workers in both public and private sectors. (Kinga, 2005)

Bhutan has endured to the journey of modernizing and reforming of education system since its exposure to the outside world. Now, living standard of the Bhutanese has improved with the realization of modern education. Socio-

economic of the country has reach far and developmental activities well progression specially the increasing the numbers of schools, strategizing of teaching, educational institutions and putting effort to produce quality graduates through quality education.

Education should not be simply producing students with high marks in the subjects but more importantly, education should make young children work ready ready in any profession as per their aptitude, talents, skills, interest and potentials. It is the education system which is responsible to answer the growing need for skilled labor in the labour market in Bhutan and more importance should be given to the school curricula in preparing youth to the labour market with hand in experience and technical knowledge applicable in the work to meet the demand of the employer. It is also equally important the need to change social perception to work in the private sector rather than waiting for the civil service and becoming unemployed.

In nutshell, the education is found to be the most important factors which determine employment besides age which hinders labour force population in getting employed.

## CHAPTER VI

### POLICY RECOMMENDATION

From the findings of the study, some policies are recommended to reduce unemployment in Bhutan as mentioned below:

#### **1: Reform in education system**

According to the Government document Bhutan 2020, it is stated that the education system must make ready young student for the work by installing an acceptance in any kind of work after their graduation.

It is therefore clear that opportunities of our young graduates in employment may be only be improved by reforming current education system which is only within the four walls but more than that provide quality education to meet labour market needs. Education must be extended to young people who after graduation can demonstrate with right skills, knowledge, creativity, innovation and new discoveries. More effort can be put to educate young children on skill based trainings and in technical field whereby employment will be readily available in the private sectors.

#### **2: Changing attitudes toward manual labor**

One of the reasons of more urban unemployment is mainly because young people from the rural start to migrate to urban with a hope to get good job leaving behind their fertile and productive land back in their villages. Now it is high time that attitude towards manual and skilled labour by inculcation of technical and vocational education to the students at very early age is must in

the education system so that students after the graduation would be attracted to manual work with skills they obtained during the school time.

It is known fact that the agricultural sector are experiencing shortage of man power and elder farmers have to fill the shortages of labour as young unemployed people choose to work in the urban area. Therefore, greater efforts should be brought into light to include curricula in the education reform to motivate and inspire young youth about farming as better employment amongst youths in Bhutan. The educated people can work more efficiently in the rural areas by employing improved methods and technology; where by increasing the productivity and uplift the living standard of the rural people instead of remaining in the urban crowd waiting for job for a longer period of time which has cost in it. Restructuring of policy on creating employment in the rural area would further help in reducing unemployment in the urban area. The initiative such as encouraging and helping unemployed people to find jobs in the rural area with good facilities and incentives like good wages, trainings and opportunities to develop self-confidence and sustain by themselves in long run.

### **3: Increasing Pay scale to Reduce Unemployment**

Low salary and poor working conditions may discourage job seekers in taking the available jobs in the labour market. Therefore, it is paramount that the government and private sectors strive to improve pay scale and other benefits to abstain young people from being unemployed.

### **4: Continue Government Initiatives**

The Ministry of Labour and Human Resources has undertaken many major programs towards building skilled workforce and facilitate gainful employment has a greatly

contributed in down bringing unemployment problem in Bhutan such as employment promotion service, job fairs, education on training and employment opportunities, labour market information, specials skills development program, expansion of technical and vocational education and training,etc.



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## APPENDIX

### Labour Force Survey Report, 2012

#### Annexure 1: LFS2012 Questionnaire

Royal Government of Bhutan Department of Employment Ministry of Labour and Human Resources Thimphu	
<i>Confidentiality;</i>	<u>Labour Force Survey 2012</u>
<i>Data obtained in this survey cannot be used for taxation, investigation or enforcement purposes.</i>	Sir/Madam,  The Department of Employment is undertaking Labour Force Survey for the purpose of gathering information on the economic activities of households in Bhutan. Therefore, the Department would like to request all the respondents to extend kind cooperation to the surveyors.  <div style="text-align: right;">Director</div>
<b>Identification</b>	
Geographic Identification codes	Name of respondent    Sl. No
Dzongkhag _____	Name of Household Head _____
Gewog/Town _____	
Size of Chiwog/block _____	Interview Status (Write an appropriate code in the box)
Sl.No.of sampled h'holds _____	
<b>Certification</b>  I hereby certify that the information gathered in this questionnaire were obtained/reviewed by me personally and in accordance with instructions.	1. Completed 2. Refused 3. Temporarily away 4. House locked
_____ Name and Signature of Enumerator	_____ Date of Enumeration
_____ Name and Signature of Supervisor	_____ Date received

## Labour Force Survey Report, 2012

A. DEMOGRAPHIC CHARACTERISTICS														
All Persons														
Serial No. (Enumerate respondent)	Name of the Household members	Sex 1-M 2-F (Enter code)	Age in completed years	Relationship of HH members to the HH head (Enter code)	Marital Status (Enter code)	Nationality 1-B 2-NB	Are _ physically impaired? 1-Yes 2-No (Go to Col.10)	If yes in Q 8 (Enter Code)	Place of birth (Enter Dzongkhag code)	Did _ move to current location during the last 1 year? 1-Yes 2-No (go to Col.14)	Previous dzongkhag of residence before moving here (Enter code)	What was the reason for movement? (Enter code)	Highest education grade completed (Enter code) if 00 for age 10-14, go to Col. 6.2. If 00 for age 15 & above, go to Col. 6.2. If 00 for age 15 & above, go to Col. 6.2. If 00 for age 15 & above, go to Col. 6.2.	14, go to Col. 6.2. If 00 for age 15 & above, go to Col. 6.2.
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15														

<b>Codes for col. 5 (Relationship)</b>	1 - Never Married 2 - Married 3 - Widowed 4 - Divorced/Separated 5 - Living Together 6 - Brother/sister 7 - Father/mother 8 - Other relative 9 - Non-relative	<b>Codes for col. 6 (Marital Status)</b>	1 - Never Married 2 - Married 3 - Widowed 4 - Divorced/Separated 5 - Living Together 6 - Other relative 7 - Non-relative	<b>Codes for col. 10 (Place of birth)</b>	11 - Bumthang 12 - Chukha 13 - Dagana 14 - Gasa 15 - Haa 16 - Lhuentse 17 - Mongar 18 - Paro 19 - P/gatshel 20 - Punakha 21 - S/jongkhar		22 - Samtse 23 - Sarpang 24 - Thimphu 25 - Trashigang 26 - T/Yangtse 27 - Trongsa 28 - Tsirang 29 - Wangdue 30 - Zhemgang 99 - Outside Bhutan	<b>Codes for col. 12 (Dzongkhag)</b>	Bumthang Chukha Dagana Gasa Haa Lhuentse Mongar Paro P/gatshel Punakha S/jongkhar
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Note: Use additional sheet if required









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