

Youth Employment Issues and their Impact on the Economic Development of Nepal

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Abstract

Youth unemployment in Nepal is a significant and persistent challenge, posing serious threats to the country's economic development and social stability. This study investigates the causes, impacts, and potential solutions to youth unemployment, specifically focusing on Kathmandu Valley. Employing qualitative methods such as interviews, focus groups, and document analysis, the research captures perspectives from unemployed youth, employers, educators, policymakers, and NGO representatives. The findings reveal a stark disconnect between the education system and labor market needs, exacerbated by outdated curricula and inadequate vocational training. Economic stagnation, societal biases favoring white-collar jobs, and insufficient support for entrepreneurship further compound the issue. The consequences of youth unemployment are extensive, ranging from lost productivity and skills erosion to financial dependency and mental health challenges among young people. The study emphasizes the urgent need for education reform, the expansion of vocational training, and the creation of policies that foster entrepreneurship and align workforce skills with market demands. By addressing these systemic barriers, Nepal can harness its youthful population as a transformative force for sustainable economic growth and social progress.

Keywords: Youth unemployment, Nepal, Education reform, Vocational training, Entrepreneurship

Introduction

Background and Context

Youth unemployment is a multifaceted issue that intersects with various economic, social, and political dimensions, significantly impacting sustainable development. As reported by the United Nations in 2022, approximately 23.5% of young people worldwide—equivalent to 289 million individuals—were not engaged in education, employment, or training (NEET). Although this marks a slight improvement from the 2020 peak, the figure is still higher than pre-pandemic levels and surpasses the 2015 baseline of 22.2%. The issue was particularly concerning in Least Developed Countries (LDCs), where informal employment reached 89.7% in 2022, showing no progress since 2015. The International Labour Organization (ILO, 2022) emphasizes that youth unemployment is a critical global challenge, particularly in developing countries where economic opportunities are often scarce, and young people face significant barriers in transitioning from education to employment. The global youth unemployment rate consistently surpasses that of adults, reflecting systemic issues such as skills mismatches, economic instability, and limited job creation, which disproportionately affect young people (ILO, 2022).

In Nepal, a country with a predominantly young population and an agrarian economy, youth unemployment is a pressing concern. The labour market in Nepal is characterized by high levels of informality, limited industrial diversification, and a significant mismatch between the skills imparted by the education system and those demanded by employers (Central Bureau of Statistics, 2023).

Addressing youth unemployment in Nepal is not merely an economic necessity; it is also critical for ensuring social stability and the country's overall development trajectory. High levels of youth unemployment can exacerbate poverty, fuel social unrest, and result in a substantial loss of economic productivity. The long-term effects of youth unemployment often referred to as the "scarring effect," can have enduring impacts on an individual's career prospects, lifetime earnings, and social mobility (ILO, 2020). Scarring refers to the phenomenon where prolonged periods of unemployment during youth lead to long-term disadvantages in the labour market, such as lower wages, reduced employability, and diminished career progression opportunities (Bell & Blanchflower, 2011).

Problem Statement

Despite the critical importance of addressing youth unemployment, the specific socio-economic impacts in Nepal remain underexplored, particularly in the context of the post-pandemic economic recovery. The youth unemployment rate in Nepal was estimated at 20.36% in 2023, significantly higher than the national average of 12.6%, highlighting deep-rooted structural challenges in the country's labour market (Central Bureau of Statistics, 2023). These challenges are compounded by inadequate education and skills development, limited access to finance, and the predominance of informal employment, which collectively hinder the ability of young people to secure stable and meaningful employment (Karki & Singh, 2020; Adhikari, 2021).

Research Objectives and Questions

This study seeks to critically examine how youth unemployment influences broader economic outcomes in Nepal, including GDP growth, poverty reduction, and social stability. The key research questions guiding this study are:

Q1. What are the primary factors contributing to youth unemployment in Nepal?

Q2. How does youth unemployment impact Nepal's economic growth and social stability?

Q3. What policy measures can effectively reduce youth unemployment and promote economic development in Nepal?

Significance and Theoretical Foundations of the Study

Addressing youth unemployment in Nepal is essential not only for economic growth but also for social stability and long-term development. High youth unemployment threatens to perpetuate cycles of poverty, reduce social mobility, and increase the potential for social unrest. Given the significant gap in the literature regarding the nuanced relationship between youth unemployment and economic development in Nepal, this study aims to provide crucial insights that can inform more effective policy interventions (Gurung & Sharma, 2021; Thapa, 2022).

The theoretical foundation of this study is grounded in human capital theory, which posits that the skills, knowledge, and abilities of individuals are critical drivers of economic growth (Becker, 1964). Human capital theory suggests that investments in education and skill development enhance labour productivity, thereby contributing to economic growth (Schultz, 1961). In the context of Nepal, the high rate of youth unemployment represents a significant underutilization of human capital. Sharma and Pant (2020) argue that when young people are unable to find employment that matches their skills, it results in a loss of potential productivity and innovation, which are essential for driving economic growth.

Furthermore, the scarring effect of youth unemployment exacerbates these challenges by creating long-term disadvantages for young workers. Studies have shown that prolonged unemployment during youth leads to lower lifetime earnings, reduced employability, and hindered career advancement, which in turn can perpetuate cycles of poverty and social inequality (Bell & Blanchflower, 2011). This study applies human capital theory and the concept of scarring to explore the socio-economic dynamics of youth unemployment in Nepal, offering new perspectives on how these factors influence the country's economic trajectory (Poudel & Gurung, 2021).

Scope of the study

This study focuses on the youth unemployment issue in Nepal, particularly in the context of post-pandemic economic recovery. The study analyses the relationship between youth unemployment and economic indicators such as GDP growth, poverty levels, and social stability. The study does not extend to other demographic groups or regions outside Nepal, ensuring a concentrated analysis of the specific challenges faced by the country's youth.

Literature Review

The literature review aims to critically evaluate the existing research on youth unemployment and its impact on economic development, both globally and in the context of Nepal. This review synthesizes key themes and trends in

the literature, identifies significant gaps, and establishes the theoretical framework that underpins the research. The review begins by discussing global trends in youth unemployment, highlighting the economic implications of high youth unemployment rates, particularly in developing countries. It then focuses on Nepal, examining the specific causes, impacts, and socio-economic factors contributing to youth unemployment. The review further explores the relationship between youth unemployment and broader economic indicators such as GDP growth, poverty levels, and social stability in Nepal. Lastly, it identifies gaps in the existing literature, particularly concerning the post-pandemic context, and outlines how this study aims to address these gaps, thereby contributing to the academic discourse.

Global Perspectives on Youth Unemployment

Youth unemployment is a global challenge with profound implications for economic growth and social stability. According to the International Labour Organization (ILO, 2022), youth unemployment rates consistently surpass those of adults, reflecting systemic barriers such as skills mismatches, economic volatility, and insufficient job creation in many regions. The economic implications of youth unemployment are significant, as it leads to reduced consumer spending, lower tax revenues, and increased welfare costs (World Bank, 2021). In developing countries, the situation is exacerbated by limited industrial diversification and weak labour market institutions, which contribute to a persistent cycle of poverty and economic underdevelopment (ILO, 2020). The long-term effects, often referred to as "scarring," result in lower lifetime earnings and decreased economic mobility for the affected individuals (ILO, 2020).

Youth Unemployment in Nepal

In Nepal, youth unemployment is a pressing issue that reflects broader structural challenges within the economy. The youth unemployment rate in Nepal, recorded at 20.36% in 2023, is significantly higher than the national average of 12.6%, indicating substantial difficulties for young people entering the labour market (Central Bureau of Statistics, 2023). The causes of youth unemployment in Nepal are multifaceted, including a mismatch between the skills provided by the education system and the demands of the labour market. Research by Karki and Singh (2020) demonstrates that many young graduates in Nepal are inadequately prepared for the job market, leading to high levels of underemployment and joblessness. Additionally, the high degree of informality in the labour market, where approximately 92% of employed youth are engaged, exacerbates the problem by offering low wages, job insecurity, and limited opportunities for career advancement (Adhikari, 2021).

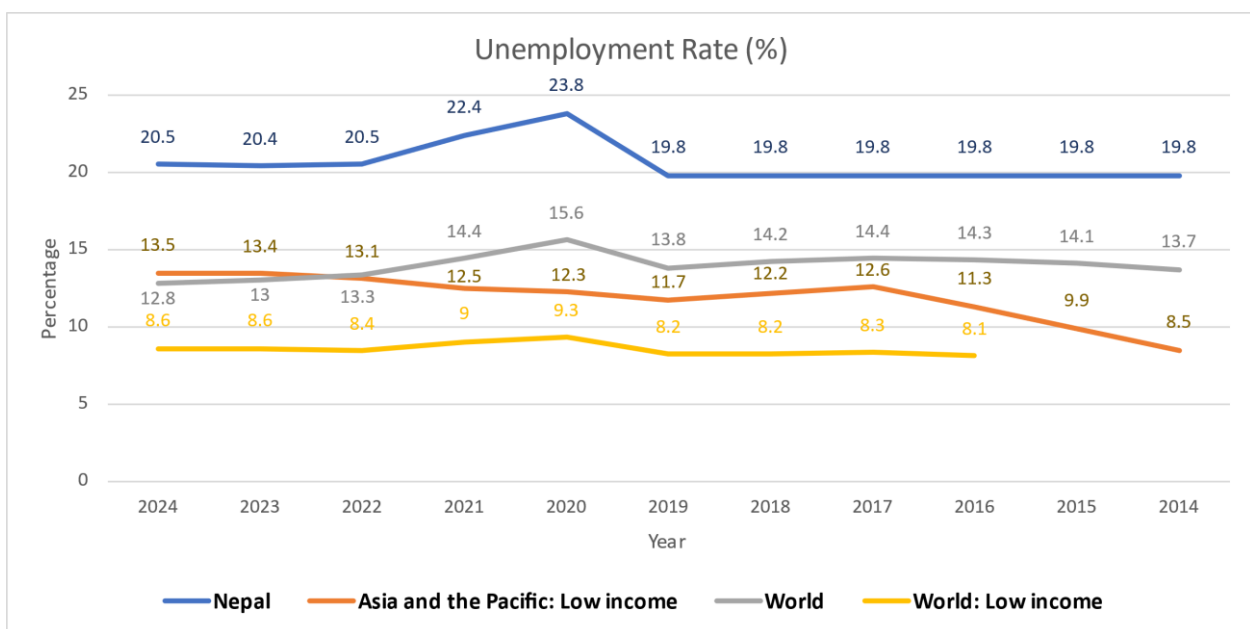


Figure 1: Comparing Youth Unemployment rates (15-24) of Nepal

The COVID-19 pandemic has further aggravated the challenges faced by Nepal's youth. According to Gurung and Sharma (2021), the pandemic caused widespread job losses in sectors such as tourism, hospitality, and retail, which are major employers of young people. The study highlights that these job losses have deepened the vulnerabilities of young workers, many of whom were already in precarious employment before the pandemic. Moreover, the pandemic has underscored the fragility of youth employment in Nepal, where economic shocks can lead to significant increases in unemployment and underemployment.

Legal Provisions pertaining to Youth unemployment in Nepal

Nepal has implemented various labour and employment policies aimed at addressing the rights and welfare of workers, particularly in the context of rising youth unemployment. These policies include the Labour Act (2074), Foreign Employment Policy (2068), National Employment Policy (2071), and Social Security regulations, among others. Each policy plays a critical role in shaping the employment landscape and addressing the challenges faced by the youth in the labour market.

Constitution of Nepal (2072)

The Constitution of Nepal provides strong protections for young workers through several key provisions. Under *Fundamental Rights, Article 18(4)* ensures no gender discrimination in terms of remuneration and social security for equal work, guaranteeing that young men and women receive equal treatment in the workplace. Additionally, *Article 34(2)* grants all workers, including youth, the right to fair wages, benefits, and social security, thereby securing their economic and social well-being. *Article 43(1)* further extends social security rights to vulnerable groups, such as the poor, disabled, and those from disadvantaged social groups, which includes young workers needing additional support.

In the *Directive Principles and Policies of the State, Article 51(2)* emphasizes the state's commitment to providing social security for all workers based on the concept of decent work, ensuring that young workers are afforded their basic rights. Furthermore, *Annexure 9* highlights *social security and poverty alleviation* as shared responsibilities of the federal, provincial, and local governments, reinforcing a coordinated effort to provide protection and support programs for young workers across all levels of governance. These provisions collectively ensure fair treatment, equal opportunities, and social security for young workers in Nepal.

Labour Act (2074)

The Labour Act, 2074 specifically targets youth employment by defining youth as individuals aged 15 to 24 (*Section 2*) and guaranteeing their rights to fair wages and safe working conditions (*Section 3*). The Act mandates social security benefits for all workers (*Section 5*) and includes provisions for skill development and the establishment of youth employment promotion centers (*Section 14*). These measures aim to create secure and appealing job environments for young workers while addressing the need for relevant skills in the labour market.

Social Security Act (2074)

The Social Security Act enhances job security for young workers by outlining various benefits such as health insurance and pensions (*Section 6*). It mandates employer registration with the Social Security Fund (SSF) to promote formal employment (*Section 2.2*) and extends coverage to informal sector workers (*Section 5*). By targeting vulnerable groups, this Act plays a crucial role in providing necessary protections and opportunities for youth in the labour market.

National Employment Policy (2068)

The National Employment Policy prioritizes youth employment by promoting domestic job creation and coordinating with various agencies (*Section 14.1*). It includes provisions for action plans to boost youth employment (*Section 14.2*) and supports women entrepreneurship (*Section 14.3*). Additionally, it emphasizes training programs for youth with limited education (*Section 14.6*), thereby fostering skill development and enhancing access to job opportunities, particularly for marginalized groups.

Labour and Employment Policy (2062)

The Labour and Employment Policy 2062 addresses key challenges faced by youth in Nepal, particularly unemployment and skills mismatches. It encourages youth participation in micro-credit programs (*3.1.10*) to facilitate self-employment and emphasizes quality vocational training (*Objective 3.4*). The policy also provides targeted support for educated unemployed youth and dropouts (*3.4.6*) and prioritizes marginalized groups (*3.4.13*). This comprehensive approach aims to empower young individuals and promote entrepreneurial initiatives.

Foreign Employment Policy (2068)

While the Foreign Employment Policy 2068 establishes frameworks for safeguarding youth seeking employment abroad, it falls short in addressing the underlying issues of domestic employment. It emphasizes skill-based training and collaboration with technical institutions (*Sections 9.2 and 9.4*) but lacks a robust focus on creating local job

opportunities. Encouraging remittance reinvestment into local sectors (*Section 9.7*) is beneficial, yet a stronger emphasis on fostering domestic industries and entrepreneurship is needed to reduce reliance on foreign employment.

Table 1: Legal Provisions for youth employment in Nepal

Policy/Act	Key Provisions	Focus Areas
Nepal Constitution (2072)	<p>Article 18(4): No gender discrimination in remuneration and social security.</p> <p>Article 34(2): Right to fair wages, benefits, and social security for all workers.</p> <p>Article 43(1): Social security for vulnerable groups, including young workers.</p> <p>Article 51(2): Commitment to social security based on decent work.</p>	Fair treatment, equal opportunities, and social security for young workers.
Labour Act (2074)	<p>Section 2: Defines youth (15-24 years).</p> <p>Section 3: Guarantees fair wages, safe conditions, and protection from exploitation.</p> <p>Section 5: Social security benefits for all workers.</p> <p>Section 14: Various provisions for skill development, youth employment promotion centers, and entrepreneurship.</p>	Youth employment, skill development, social protection, and promoting entrepreneurship.
Social Security Act (2074)	<p>Section 6: Outlines benefits like health insurance and pensions.</p> <p>Section 2.2: Employers must register employees with the Social Security Fund (SSF).</p> <p>Section 5: Extends coverage to informal sector workers.</p>	Job security, formal employment, support for skill development, and targeting vulnerable groups.
National Employment Policy (2068)	<p>Section 14.1: Encourages domestic employment coordination.</p> <p>Section 14.2: Action plan for youth employment.</p> <p>Section 14.3: Promotes women entrepreneurship.</p> <p>Section 14.6: Training programs for low-educated youth.</p>	Domestic employment, entrepreneurship, skill development, and supporting vulnerable groups.
Labour and Employment Policy (2062)	<p>3.1.10: Encourages youth participation in micro-credit programs.</p> <p>Objective 3.4: Emphasizes quality vocational training.</p> <p>3.4.6: Targets support for educated unemployed youth and dropouts.</p> <p>3.4.13: Focus on marginalized youth.</p>	Financial resources for self-employment, skill alignment with market needs, and support for marginalized groups.
Foreign Employment Policy (2068)	<ul style="list-style-type: none"> ▪ Emphasizes skill-based training for youth. ▪ Focuses on collaboration with technical institutions (CTEVT). ▪ Highlights need for improved access to skill training for marginalized groups. ▪ Encourages reinvestment of remittances into local sectors. 	Foreign employment safeguards, skill development, but lacks focus on domestic employment opportunities.

Theoretical Foundation

The theoretical foundation of this study is grounded in human capital theory, which posits that the skills, knowledge, and abilities of individuals are critical drivers of economic growth (Becker, 1964). In Nepal, the high rate of youth unemployment represents a significant underutilization of human capital, with far-reaching implications for the country's economic development. Sharma and Pant (2020) argue that the inability of young people to find employment that matches their skills results in a loss of potential productivity and innovation, which are essential for driving economic growth. Human capital theory suggests that investments in education and training are crucial for improving labour market outcomes. However, in Nepal, the disconnect between educational outcomes and labour market needs has led to a situation where many young people, despite being educated, remain unemployed or underemployed (Dhakal, 2021). This study applies human capital theory to explore the dynamics of youth

unemployment in Nepal, focusing on how these challenges impact economic development and identifying strategies to enhance the employability of young people.

Gap of the Study

Despite the extensive research on youth unemployment globally, specific studies focusing on the socio-economic impacts of youth unemployment in Nepal are limited. Existing literature often emphasizes the macroeconomic aspects of unemployment, with insufficient attention given to the microeconomic effects on youth and the long-term consequences for economic development (Gurung & Sharma, 2021). Additionally, there is a lack of research on the impact of recent policy and legal framework impact on youth unemployment in Nepal (Adhikari, 2021). Furthermore, while several studies have examined the relationship between education and employment in Nepal, there is a need for more comprehensive research that integrates these findings with broader economic trends. Dhungana (2018) highlights the insufficient exploration of how the skills mismatch affects long-term economic outcomes, particularly in the context of Nepal's evolving economic landscape. This study seeks to address these gaps by providing a detailed analysis of the current state of youth unemployment in Nepal, its impacts on economic development, and the effectiveness of existing policy responses. By integrating empirical data with theoretical insights, this research aims to contribute to the development of more effective strategies for reducing youth unemployment and fostering sustainable economic growth in Nepal.

Research Methodology

The study involved 100 participants from the Kathmandu Valley, selected through purposive sampling to ensure a diverse representation across various demographics and sectors (Merriam & Tisdell, 2016). The Kathmandu Valley was selected as the research site because it serves as the economic and political hub of Nepal. This area attracts youth from across the country who are seeking better educational and employment opportunities, making it an ideal context for examining the multifaceted issue of youth unemployment (Thapa & Mainali, 2020). The valley's diverse population, encompassing different ethnicities, educational backgrounds, and socio-economic statuses, offered a broad spectrum of perspectives essential for a comprehensive understanding of the issue. Furthermore, given that many employment and education policies are first implemented in the Kathmandu Valley, this location provided a strategic vantage point to study the practical implications of these policies on youth employment (Gautam, 2021).

Data Collection

The participant pool consisted of 40 unemployed youth, 20 employers and industry experts, 15 educators and academic administrators, 15 government officials and policymakers, and 10 NGO representatives and social activists. This diverse group was chosen to capture a wide range of perspectives on the causes, challenges, and potential solutions to youth unemployment (Silverman, 2020). The unemployed youth, aged 18 to 30, provided firsthand accounts of the barriers they faced in securing employment. Employers and industry experts contributed insights into the demand side of the labour market, particularly the skills gap and hiring practices. Educators and academic administrators shared their perspectives on the alignment between education and employment, often highlighting the educational mismatch that leads to unemployment (Brown & Hesketh, 2004). Policymakers provided crucial insights into the effectiveness of current policies and potential reforms, while NGO representatives and social activists shared practical knowledge of the socio-economic challenges faced by youth and the effectiveness of interventions aimed at reducing unemployment (Karki & Poudel, 2019).

Data collection methods included semi-structured interviews, focus groups, and document analysis. Semi-structured interviews were conducted with individuals from each participant group, allowing for detailed exploration of their experiences, views, and suggestions regarding youth unemployment (Kvale & Brinkmann, 2009). Focus groups, consisting of 6-8 participants each, facilitated rich discussions on key themes such as job market challenges, the role of education, and potential solutions like skill development and entrepreneurship. Document analysis of relevant government policies, educational curricula, and NGO reports provided additional context and helped identify gaps in current practices (Bowen, 2009).

Data Analysis Methods

Thematic analysis was employed to analyze the qualitative data, with the coding process identifying recurring themes such as "economic barriers," "educational mismatch," and "entrepreneurship opportunities" (Braun & Clarke, 2006). This method facilitated the construction of a comprehensive narrative that integrated the diverse perspectives of the participant groups, providing a holistic understanding of the issue.

Ethical considerations were paramount throughout the study. Participants were fully informed about the research's purpose, their role, and their rights, including the right to withdraw at any time. Written consent was obtained, and confidentiality was maintained by anonymizing personal information and using pseudonyms (Cohen, Manion, & Morrison, 2018). The research was conducted with strict neutrality to ensure unbiased results.

Although the study focused on the Kathmandu Valley, which may limit the generalizability of the findings to other regions of Nepal, it provided valuable insights into the factors contributing to youth unemployment and its impact on economic development. The qualitative approach and diverse participant pool ensured a rich and nuanced understanding of the issue, making the findings relevant for informing policy and practice in addressing youth unemployment in Nepal (Miles, Huberman, & Saldaña, 2014).

Findings

Causes of Youth Unemployment in Nepal

The qualitative research conducted in December 2023 provided critical insights into the multifaceted causes of youth unemployment in Nepal, with a focus on the Kathmandu Valley. The findings are organized into four main categories: economic factors, educational mismatch, social and cultural factors, and policy and institutional factors. Each category reveals unique challenges that contribute to the persistent issue of youth unemployment, requiring targeted and multifaceted interventions.

Economic Factors

Limited Job Creation: The research identified a significant limitation in job creation within key economic sectors such as manufacturing, agriculture, and services. Employers and industry experts emphasized that these sectors have not expanded at a pace sufficient to accommodate the increasing number of young job seekers. Despite being well-qualified, many young people find themselves unable to secure employment due to the stagnant growth of these industries. The underlying reasons include a lack of industrial growth and insufficient investment in sectors that traditionally absorb large numbers of workers, particularly young people. The absence of a robust industrial base has also hindered the diversification of job opportunities, exacerbating unemployment among the youth.

Economic Slowdown: The study also highlighted the impact of economic slowdowns, driven by both internal and external factors, on job creation. Government officials and policymakers pointed out that periods of low GDP growth, often resulting from political instability within the country and unfavourable global economic conditions, have led to reduced business investments. This downturn has had a particularly adverse effect on small and medium-sized enterprises (SMEs), which are typically significant employers of young workers. The reduced investment and subsequent decline in SME growth have further compounded the unemployment crisis, as these enterprises struggle to maintain or increase their workforce.

Educational Mismatch

Skills Gap: A critical finding of the research was the mismatch between the skills provided by educational institutions and those demanded by the labour market. Both educators and employers acknowledged that the current education system in Nepal heavily emphasizes theoretical knowledge while often neglecting the practical skills required in industries such as information technology, engineering, and healthcare. As a result, many graduates enter the job market underprepared, leading to high unemployment rates even among those with advanced degrees. The lack of practical training and industry-relevant skills creates a significant barrier to employment, leaving many young people unable to meet the specific needs of employers.

Outdated Curriculum: The research also revealed that the curricula in many educational institutions are outdated and not aligned with the current demands of the industry. Educators admitted that the content being taught often fails to keep pace with rapid technological advancements and the evolving needs of the job market. This misalignment between education and industry requirements results in graduates lacking the up-to-date skills and knowledge that employers seek, further contributing to the problem of youth unemployment. The outdated curricula also mean that students are not exposed to the latest trends and technologies, leaving them at a disadvantage when competing for jobs in a globalized market.

Social and Cultural Factors

Preference for White-Collar Jobs: The research underscored a strong societal preference for white-collar jobs, which significantly contributes to youth unemployment. Discussions with unemployed youth revealed a cultural

stigma associated with blue-collar work, which is often viewed as less prestigious. This societal attitude discourages young people from pursuing opportunities in sectors like agriculture, manufacturing, and vocational trades, where there is a demand for workers. As a result, many young people remain unemployed while job vacancies in these sectors go unfilled. The preference for white-collar jobs is also fuelled by societal expectations and family pressures, which steer young people away from vocational training and into academic paths that may not lead to immediate employment.

Gender Disparities: The research found that gender disparities have a substantial impact on youth employment, particularly for young women. Traditional gender roles and societal expectations often limit the career choices available to women, steering them towards saturated sectors such as teaching, nursing, and clerical work. These sectors, while traditionally female-dominated, are also among the most competitive and offer fewer opportunities for career advancement. Additionally, biases in hiring practices and a lack of supportive workplace policies further hinder young women's access to employment. As a result, female youth in Nepal face higher unemployment rates compared to their male counterparts, with many women unable to break into non-traditional sectors due to societal and institutional barriers.

Policy and Institutional Factors

Weak Labour Market Policies: The effectiveness of current labour market policies was a significant concern identified in the study. Policymakers admitted that many of the policies aimed at reducing youth unemployment are either inadequately implemented or lack a specific focus on the youth demographic. There are few incentives for companies to hire young workers, and existing policies often do not address the unique challenges faced by the youth labour market. This has led to a limited impact in reducing unemployment rates among young people. Furthermore, the lack of targeted interventions means that many young people remain unemployed or underemployed, with little hope of finding sustainable employment in the near future.

Lack of Support for Startups: The research also highlighted the lack of institutional support for young entrepreneurs in Nepal. Participants, particularly aspiring entrepreneurs and NGO representatives, pointed out that young people face numerous challenges in accessing finance, mentorship, and market opportunities. The financial system's risk-averse nature, combined with the absence of robust business incubation programs and the presence of bureaucratic obstacles, discourages entrepreneurship as a viable career path for youth. Without adequate support, many young people are unable to turn their entrepreneurial ideas into successful businesses, contributing to the overall unemployment problem. The lack of support for startups also means that potential job creators are left without the necessary resources to thrive, further limiting employment opportunities for the youth.

The findings of this research illustrate that youth unemployment in Nepal is driven by a complex interplay of economic, educational, social, cultural, and institutional factors. Addressing this issue requires targeted interventions across these areas, including expanding job creation in key sectors, aligning educational curricula with market needs, challenging societal norms, and developing more effective labour market policies and support systems for young entrepreneurs. A holistic approach that considers the interconnected nature of these factors is essential for creating sustainable employment opportunities for Nepal's youth.

Impact of Youth Unemployment on Economic Development in Nepal

The qualitative research conducted in December 2023 provided critical insights into the multifaceted impact of youth unemployment on economic development in Nepal, with a focus on the Kathmandu Valley. The findings are categorized into three main areas: economic costs, social costs, and long-term economic implications. These areas highlight the interconnected and far-reaching consequences of youth unemployment, underscoring the need for comprehensive strategies to address this challenge.

Economic Costs

Lost Productivity: The research identified lost productivity as one of the most immediate and measurable economic costs of youth unemployment. A significant portion of Nepal's youth, representing the most dynamic segment of the labour force, remains underutilized. Employers and policymakers highlighted that this underutilization results in a substantial loss of potential economic output, as these young people are not contributing to the productive activities that drive economic growth. The lack of engagement in the workforce by a large segment of the population directly reduces the country's Gross Domestic Product (GDP). This loss is particularly detrimental in key sectors such as manufacturing, agriculture, and services, which are critical for the country's overall economic development. The

economic output that could be generated by a fully employed youth population remains untapped, representing a significant opportunity cost for the nation.

Increased Dependency: Youth unemployment also leads to increased financial dependency on families and government support systems. The research revealed that many unemployed youths, particularly those who have migrated from rural areas to urban centers like the Kathmandu Valley in search of better opportunities, rely heavily on their families for financial support. This dependency reduces household savings and disposable income, which in turn dampens overall economic consumption. The ripple effect is a slowdown in consumer spending, which is a key driver of economic growth. Moreover, the government's fiscal resources, which could be invested in infrastructure, education, or other development projects, are instead diverted to unemployment benefits and social welfare programs. This reallocation of resources strains the economy and limits the government's ability to invest in initiatives that could spur economic development and create new job opportunities.

Social Costs

Rising Crime Rates: The study found a troubling correlation between youth unemployment and rising crime rates. Prolonged unemployment often leads to frustration, disillusionment, and a sense of hopelessness among young people. Policymakers and representatives from non-governmental organizations (NGOs) noted that these negative emotions can push some unemployed youth towards criminal activities as a means of economic survival. This shift not only destabilizes communities but also imposes significant costs on law enforcement and the criminal justice system. The societal impact of increased crime rates includes a pervasive sense of insecurity, which can deter both domestic and foreign investment. Investors are often reluctant to commit resources to areas with high crime rates, further hindering economic development. The cycle of unemployment leading to crime, which in turn discourages investment, creates a reinforcing loop that exacerbates economic challenges.

Mental Health Issues: Another critical social cost identified is the impact of youth unemployment on mental health. The research highlighted that many unemployed youths experience high levels of stress, anxiety, and depression due to their inability to find stable employment. These mental health issues not only affect the individual's well-being but also have broader societal implications. The decline in mental health can reduce overall productivity, as individuals struggling with psychological issues are less likely to engage effectively in job search activities or, if employed, perform optimally in the workplace. The psychological impact of prolonged unemployment often diminishes motivation and confidence, creating a vicious cycle where affected individuals find it increasingly difficult to re-enter the job market. This deterioration in mental health can also lead to increased healthcare costs and reduced societal cohesion, further straining the economy.

Long-Term Economic Implications

Skills Erosion: The research revealed that prolonged unemployment among youth leads to significant skills erosion, which has serious long-term economic implications. Employers and industry experts pointed out that when young people remain unemployed for extended periods, they are likely to lose the skills and knowledge they acquired during their education or previous employment. This skills erosion not only diminishes the individual's employability over time but also reduces the overall skill level of the workforce, which is critical for driving innovation and productivity growth. In a rapidly changing global economy, where technological advancements and new industries require continuous skill development, the erosion of skills among the youth population poses a serious threat to Nepal's ability to compete internationally. The reduction in the availability of a skilled workforce limits the country's capacity to attract high-quality investments and hampers the potential for economic diversification and growth.

Delayed Economic Independence: Youth unemployment was also found to significantly delay economic independence among young people, which has broader implications for economic growth. Unemployed youth reported facing difficulties in achieving financial independence, which in turn delays major life decisions such as marriage, homeownership, and investment in further education or entrepreneurship. These delays slow down the broader economic cycle, as young people who are not financially independent are less likely to contribute to key economic activities such as consumer spending and homeownership. These economic activities are crucial for driving demand in various sectors, including construction, real estate, and retail. Moreover, policymakers noted that the delayed economic independence of the youth population affects the country's demographic dividend—the potential economic benefits arising from a large working-age population—by preventing this age group from fully participating in and contributing to economic development. This delay not only slows down current economic growth but also has long-term implications for the country's economic trajectory.

Role of Education in Addressing Youth Unemployment in Nepal

The qualitative research conducted in December 2023 provides crucial insights into the role of education in addressing youth unemployment in Nepal, particularly within the Kathmandu Valley. The findings reveal that while education is a critical factor in improving employability and reducing unemployment, there are significant gaps and challenges within the current educational system that need to be addressed. These challenges are categorized into three key areas: curriculum alignment with market needs, the importance of vocational training, and the role of STEM education and soft skills development.

Curriculum Alignment with Market Needs

Mismatch between Education and Employment: One of the primary findings of the research is the significant misalignment between the education system and the needs of the job market. Both educators and employers expressed concern that the curricula in many educational institutions are outdated and fail to equip students with the practical skills required in today's workforce. Employers, particularly in sectors such as technology, engineering, and healthcare, reported that graduates often lack the hands-on experience and industry-specific knowledge necessary for immediate employment. This disconnect between education and employment has resulted in high unemployment rates among youth, as many find themselves underqualified for available jobs despite holding formal degrees.

Need for Curriculum Reform: The research participants, particularly those from the educational sector, strongly advocated for urgent curriculum reform to bridge the gap between education and employment. There was a consensus that curricula need to be updated to include more practical, hands-on training alongside traditional theoretical instruction. This would involve not only modernizing the content to keep pace with technological advancements but also ensuring that the skills being taught are directly relevant to the demands of the job market.

Importance of Vocational Training

Lack of Vocational Education Opportunities: The study highlighted a severe lack of vocational education and training (VET) opportunities in Nepal, particularly in urban areas like the Kathmandu Valley. The current educational system is heavily skewed towards academic, theory-based education, with insufficient emphasis on vocational skills. This imbalance leaves many young people without the specific skills needed for technical and trade jobs, which are often more accessible and in demand than white-collar positions.

Potential of Vocational Training: The research underscored the potential of vocational training as a key strategy for addressing youth unemployment. Employers and policymakers agreed that expanding vocational education could play a critical role in bridging the skills gap and reducing unemployment. Vocational training programs can provide young people with the practical skills required for various trades and technical jobs, which are often less saturated than academic fields.

Role of STEM Education and Soft Skills Development

Promotion of STEM Education: The research findings indicate that STEM (Science, Technology, Engineering, and Mathematics) education is underemphasized in Nepal's current educational framework. Despite the growing importance of STEM-related industries in the global economy, there is a lack of focus on these subjects within Nepalese schools and universities.

Importance of Soft Skills: In addition to technical skills, the research highlighted the critical role of soft skills in improving employability. Both employers and educators pointed out that many young job seekers lack essential soft skills such as critical thinking, communication, teamwork, and leadership. These skills are increasingly valued in the modern workplace, where collaboration, adaptability, and problem-solving are key to success.

Overall Findings and Participants' Suggestions

Key findings from the qualitative study indicate that economic constraints, such as limited job creation and economic slowdowns, significantly hinder employment opportunities for young people. The educational system's misalignment with market needs, characterized by outdated curricula and a lack of vocational training, exacerbates the skills gap, leaving graduates unprepared for available jobs. Social and cultural factors, including a preference for white-collar jobs and gender disparities, further complicate the employment landscape. Additionally, ineffective labour market policies and insufficient institutional support for young entrepreneurs contribute to the crisis. The repercussions of youth unemployment extend beyond individual hardships, impacting economic development through lost productivity, increased dependency, rising crime rates, and long-term implications like skills erosion and delayed

economic independence. Addressing these multifaceted challenges requires following actions as per participants' suggestions.

Youth Demand for Vocational Training: Many unemployed youths expressed a desire for more vocational training options that would equip them with marketable skills. They acknowledged that while academic education is important, vocational training offers a more direct path to employment, especially in technical fields where practical skills are crucial.

Promoting Entrepreneurship: Vocational training not only prepares youth for employment but also fosters entrepreneurship by equipping them with the practical knowledge needed to start and manage their own businesses. This dual benefit—enhancing employability and promoting self-employment—could contribute significantly to job creation and economic development in Nepal.

Global and Local Relevance: Participants noted that enhancing the focus on STEM education could provide young people with the skills needed to succeed in industries that are driving economic growth both globally and locally. STEM fields are particularly important in addressing the technological and industrial challenges facing Nepal, and a stronger emphasis on these subjects could help reduce youth unemployment by preparing graduates for high-demand jobs in these areas.

Early Exposure and Specialized Programs: The research suggested that early exposure to STEM subjects, starting at the primary education level, is crucial for fostering interest and competence in these fields. Additionally, developing specialized programs at the secondary and tertiary levels that encourage more students to pursue careers in STEM would be beneficial in creating a workforce equipped for the challenges of the 21st century.

Integration into Curriculum: The findings suggest that integrating soft skills development into the educational curriculum, alongside technical and vocational training, would greatly enhance the readiness of graduates to enter the workforce. Programs that emphasize these skills can help students develop the ability to work effectively in teams, communicate clearly, and lead initiatives—all of which are crucial for career success in today's job market.

Employer Expectations: Employers are looking for candidates who not only have the technical knowledge required for a job but also the interpersonal and cognitive skills necessary to thrive in a collaborative environment. By focusing on soft skills development, educational institutions can better prepare students to meet these expectations, thereby improving their chances of securing employment.

Industry Involvement in Curriculum Development: One of the key suggestions was to involve industry professionals in the curriculum development process. By incorporating insights from those actively engaged in the workforce, educational programs can be tailored to meet current and future industry needs, thereby enhancing the employability of graduates. This approach would ensure that students acquire the skills and knowledge necessary to succeed in the competitive job market.

Impact on Unemployment: The mismatch between what is taught in schools and what is required in the job market leads to a situation where young graduates are unable to meet the expectations of employers. This educational gap forces many to remain unemployed or underemployed, further exacerbating the youth unemployment crisis in Nepal.

Discussion

The study explores the complex issue of youth unemployment and its impact on economic development, highlighting several factors, including educational mismatches, economic barriers, and cultural dynamics. The findings from the article present several points of convergence and divergence from the theoretical viewpoints that are systematically discussed below:

Global and Local Trends in Youth Unemployment

Youth unemployment is a significant global issue with profound economic and social consequences. According to the International Labour Organization (2022), youth unemployment rates consistently exceed adult unemployment rates, leading to long-term challenges like reduced consumer spending, lower tax revenues, and increased welfare costs. These problems are particularly severe in developing countries, where weak labour market institutions and limited industrial diversification compound the issue (ILO, 2022). The findings from the study reflect these global trends but focus on Nepal's specific situation. Nepal's youth unemployment rate stood at 20.36% in 2023, much higher than the national average of 12.6%, underscoring the structural issues within the country's labour market (Central Bureau of

Statistics, 2023). Additionally, the findings highlight how the COVID-19 pandemic worsened these challenges, especially in industries like tourism and retail, which are key employers for young people (Gurung & Sharma, 2021).

Educational Mismatch and Curriculum Gaps

Both the literature and the findings emphasize the role of education in contributing to youth unemployment. The literature points to a critical mismatch between the skills young people gain in school and those required by the job market. Karki and Singh (2020) argue that Nepal's education system places too much focus on theoretical knowledge, leading to high levels of underemployment and unemployment. The study's findings echo this, showing that many graduates enter the job market without the practical skills needed in fields like IT, healthcare, and engineering. Employers and educators interviewed in the research raised concerns about outdated curricula in schools and universities (Adhikari, 2021). This mismatch between education and market needs leaves many young people unemployed despite having formal qualifications, highlighting the need for urgent curriculum reform to close the skills gap (Dhakal, 2021).

Socio-Economic and Cultural Barriers

The literature also addresses the socio-economic and cultural barriers that prevent young people from finding employment, especially in developing countries like Nepal. Bell and Blanchflower (2011) discuss the "scarring effect" that results from prolonged youth unemployment, where young people who can't find work face long-term consequences like lower wages and reduced employability. The study's findings support this, showing that many young Nepalese, particularly those who migrate to urban areas like Kathmandu, become financially dependent on their families due to a lack of job opportunities (ILO, 2020). Cultural factors further complicate the situation. For example, there is a strong societal preference for white-collar jobs, which discourages young people from pursuing vocational trades, even though these fields often have more job opportunities (Adhikari, 2021).

Economic and Policy Implications

The literature also highlights the importance of labour laws and employment policies in addressing youth unemployment. Nepal's labour laws, such as the Labour Act (2074) and the National Employment Policy (2068), provide frameworks for skills development and job creation, but they have not effectively addressed the underlying structural challenges in the labour market (Central Bureau of Statistics, 2023). The study's findings align with this, revealing that current labour market policies have had limited impact, with issues like insufficient support for startups and weak incentives for hiring young workers persisting (Sharma & Pant, 2020). Additionally, the lack of institutional support for entrepreneurship discourages young people from starting their own businesses, perpetuating high unemployment rates (Adhikari, 2021).

Conclusion and Future Implications

Youth unemployment in Nepal is a multifaceted issue deeply intertwined with global trends, educational shortcomings, socio-economic barriers, and ineffective policy responses. The study highlights the critical mismatch between the skills taught in educational institutions and the demands of the labour market, exacerbated by outdated curricula and limited vocational training opportunities. Socio-cultural factors, such as a preference for white-collar jobs, further aggravate the problem, while weak labour policies and inadequate institutional support for entrepreneurship hinder potential solutions. As Nepal faces the additional challenges brought on by the COVID-19 pandemic, addressing youth unemployment requires a holistic approach that includes educational reforms, policy improvements, and targeted support for young entrepreneurs. Bridging these gaps is essential for creating sustainable employment opportunities and ensuring the country's economic development.

Both the literature and the study's findings point to significant gaps in research on youth unemployment in Nepal. While global studies provide ample data, there is limited research focusing on the specific economic impacts in Nepal, particularly after the pandemic. The study emphasizes the need for more research into the effectiveness of Nepal's policy interventions and their impact on youth employment, especially in the context of post-pandemic recovery. Furthermore, there is a lack of comprehensive studies connecting the skills mismatch in education to broader economic trends—a gap that this study seeks to fill by combining empirical data with theoretical insights.

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