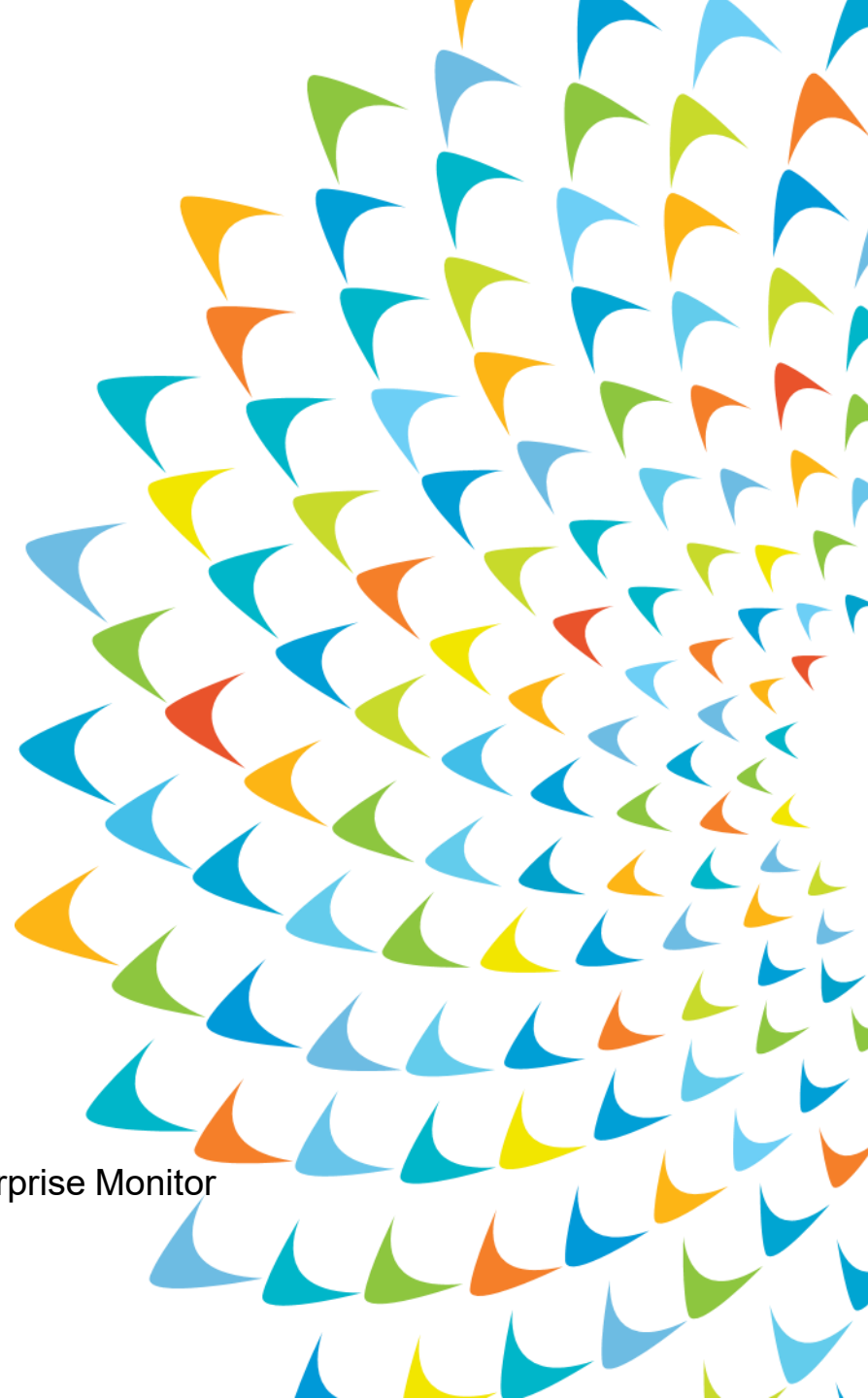




ADB ASM Launch Seminar

Youth, Labor Market Dynamics, and the Role of Entrepreneurship in Bhutan

Launch Seminar of the Asia Small and Medium-Sized Enterprise Monitor
Thursday 13th November 2025
Carlos A. Coca Gamito, Labor Market Expert (Consultant)





Introduction

Bhutan graduated from the list of LDC on December 13, 2023, following a gradual structural transformation, with positive trends in employment creation, urbanization, and formalization.

- However, the creation of **decent employment opportunities** remains a main challenge to socioeconomic development (NSB, 2024)
- Particularly, **young people** are increasingly educated and digitally literate but face low employment, high NEET rates, inactivity, and poor job quality.
- **Entrepreneurship can be a policy lever** that complement formal job creation for youth. However, as of now it remains mostly necessity-driven, informal, and constrained, especially for young women due to structural barriers.



Data and measurement

The study rely on data from the 2018-2023 Bhutan Labor Force Survey and the 2024 Jobs and Skills Survey.

- An **entrepreneur** is a person who attempts to make a profit by starting a company or operating alone in the business world, particularly when it involves taking risks (Cambridge Dictionary)
- **Occupational vs. behavioral approaches:** *self-employed and employers*. The LFS does not capture entrepreneurial behavior. Limitations:
 - **Underestimation:** entrepreneurial secondary activities of employees.
 - **Overestimation:** some self-employed not entrepreneurial behavior, especially in necessity-driven contexts.
 - **Mitigation:** disaggregate by business tenure and prior labor force status to differentiate necessity- and opportunity-driven entrepreneurship.
- **Stages of entrepreneurial activity** (GEM, 2023)
 - **Potential Entrepreneur:** recognize entrepreneurial opportunities but have not yet taken concrete steps. **Unemployed workers strictly seeking to establish a business.**
 - **Nascent Entrepreneur:** actively devoted resources to a business but have not yet paid wages or salaries for 3 months. **In business for less than one year.**
 - **New Business Owner:** successfully launched their businesses being operational for more than 3 but less than 42 months. **In business for more than 1 but less than 3 years.**
 - **Established Business Owner:** in operation and paying salaries for 42 months or more. **In business for more than 3 years.**



Data and measurement

- **Nature of entrepreneurship (Farlie & Fossen, 2018):**
 - **Necessity:** start businesses because they lack better employment alternatives. **Unemployed before launching their business.**
 - **Opportunity:** start businesses to take advantage of a perceived opportunity. **Employed, in school, or not actively seeking work before launching their business.**
- **Limitations:**
 - Farlie & Fossen: **flows of new entrants**, not total stocks.
 - **Tenure may misclassify entrepreneurs:** serial entrepreneurship or business discontinuity.
 - **Self-reported data (income):** may introduce measurement error
 - **Gender differences (working hours, business status):** social norms or reporting biases may affect comparability.

However, the analysis allows for a rich empirical assessment of both structural labor market barriers and the potential of entrepreneurship to support inclusive employment pathways for youth.



Youth Labor Market Outcomes in Bhutan

Fig 1. Employment-to-population ratio for youth (15-24) and overall, 2023

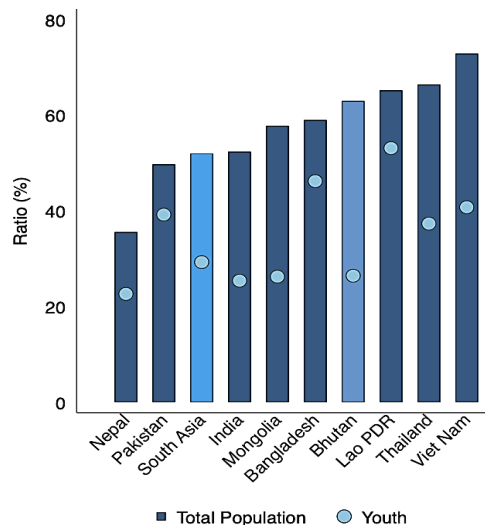
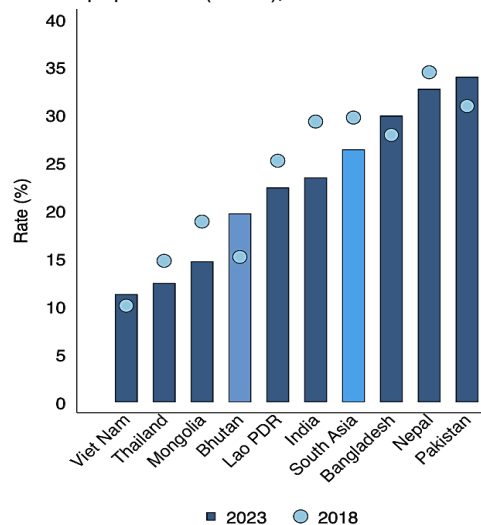


Fig 2. NEET rate for the total youth population (15-24), 2018 & 2023



Labor market indicators of youth remain below regional average, despite signs of convergence

Bhutan's youth employment challenge is primarily a transition issue, not a labor supply one, with self-employment becoming increasingly important beyond early career stages

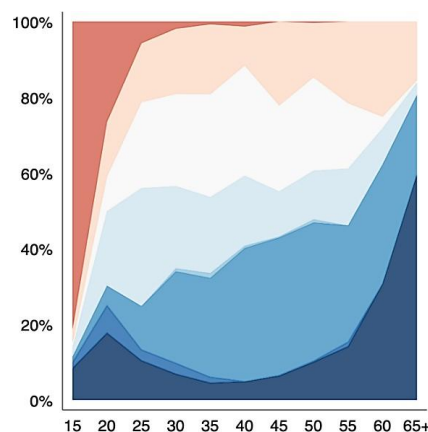


Fig 3.A. Labor market status of men by age, 2023

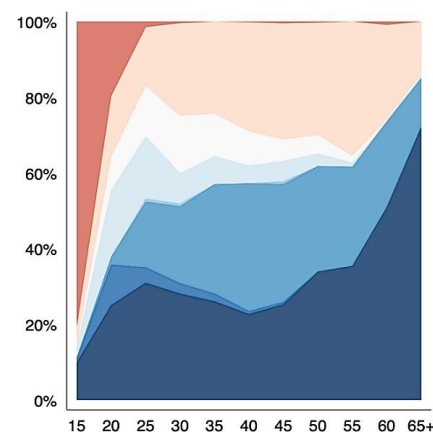


Fig 3.B. Labor market status of women by age, 2023



Youth Labor Market Outcomes in Bhutan

Young workers faced poorer job quality and more limited access to social protection than older workers, but gender gaps grow among the later.

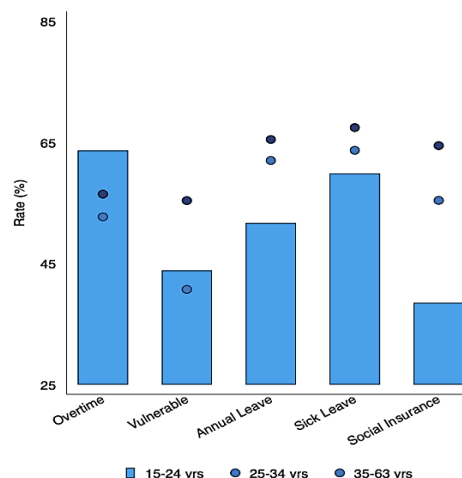


Fig 4.A. Job Quality Indicators by Age Group, Men, 2023

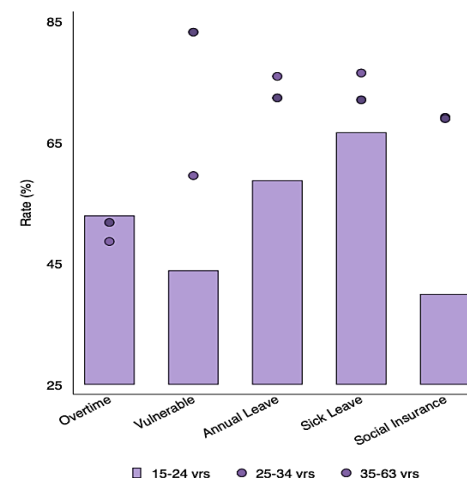


Fig 4.B. Job Quality Indicators by Age Group, Women, 2023

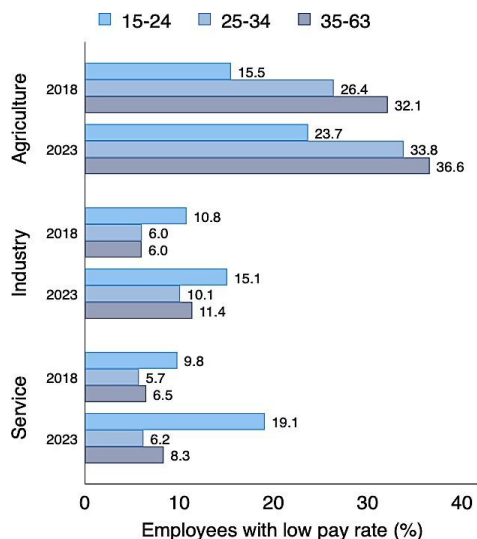


Fig 5.A. Incidence of Low Pay (%) Among Men by Age, 2018 and 2023

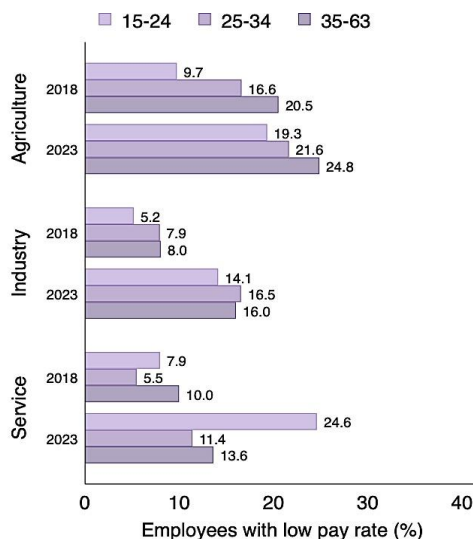


Fig 5.B. Incidence of Low Pay (%) Among Women by Age, 2018 and 2023

Low wages and working poverty remain persistent barriers to youth integration into Bhutan's labor market, despite rising educational attainment and employment aspirations



Youth Labor Market Outcomes in Bhutan

Young people are entering the labor market with higher levels of education but their returns to education are lower

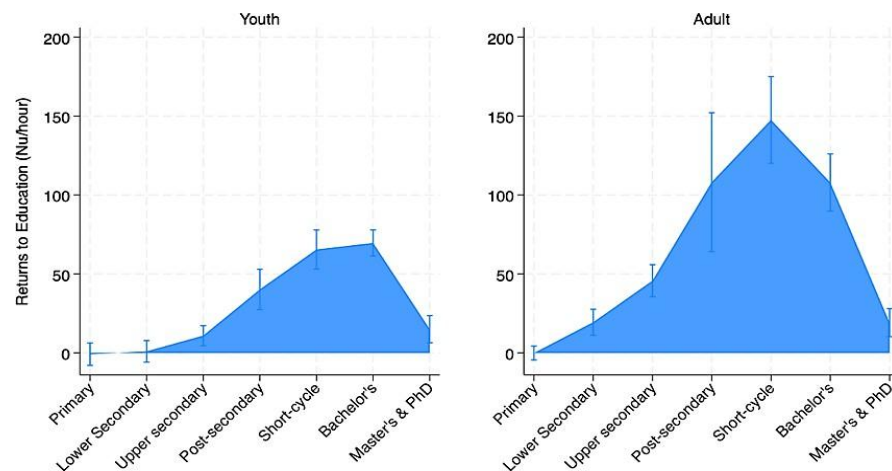


Fig 7. Returns to Education (Nu/hour) by Age Group, 2018–2023

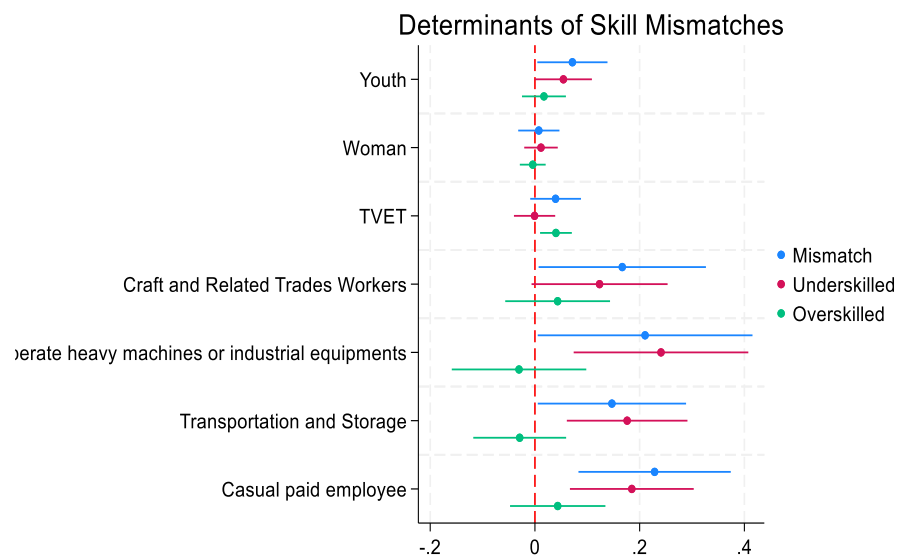


Fig 8. Skill mismatch probability, 2024

Despite rising levels of educational attainment, young workers in Bhutan are more likely than adults to report being inadequately prepared for the demands of their jobs.



Youth Labor Market Outcomes in Bhutan

Youth aspirations are not reflected in the labor market reality they face

- Between 2018 and 2020, more than one in five unemployed individuals (22.1%) declined private sector job offers, opting instead to wait for opportunities in the public sector. Among these, more than three-quarters (77.2%) cited job security as the primary reason.
- This preference for public employment is markedly more pronounced among younger cohorts.

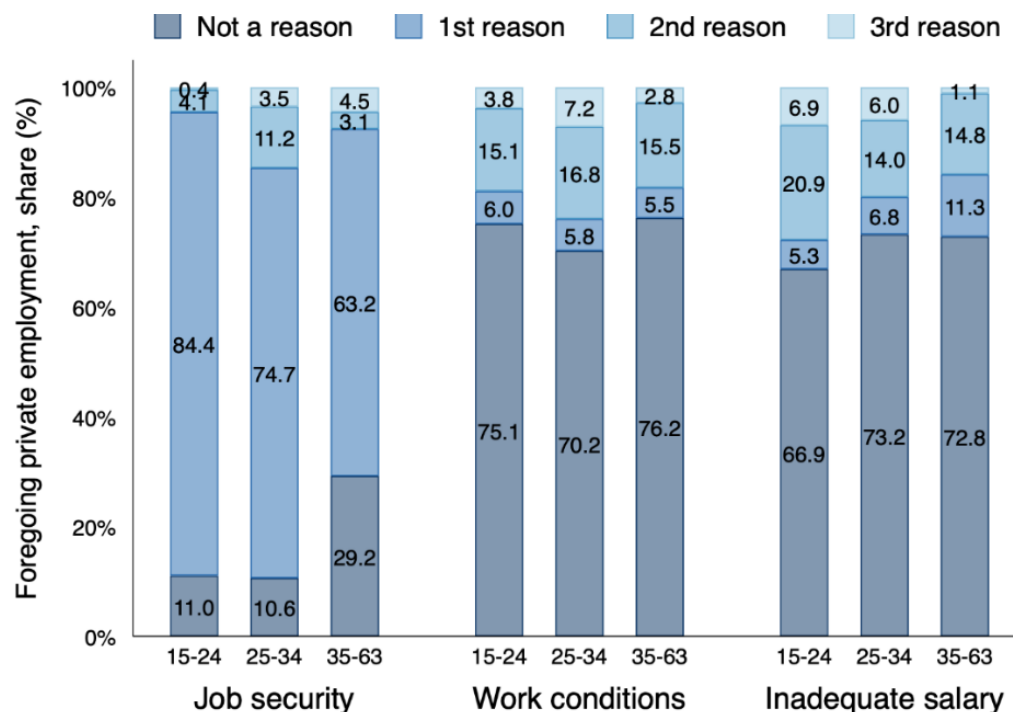


Fig 9. Reason for Foregoing Private Employment Opportunity by Age Group, Average 2018-2020



Youth Labor Market Outcomes in Bhutan

Unfavorable labor market conditions are driving youth labor migration in Bhutan

- According to the CBS (2024), 93.7% of youth are willing to relocate for work, with 21.2% considering emigration to a foreign country.
- Internal migration is generally uncontroversial, but international emigration presents both short- and long-term trade-offs (Carling, 1996; Perera, 2010; OECD, 2017).



Youth Entrepreneurship in Bhutan

Young entrepreneurs in Bhutan tend to earn more than their salaried peers, particularly women in the 25-34 years old cohort.

Women entrepreneurs aged 25–34 were not only the highest average earners but also among the most productive workers in Bhutan.

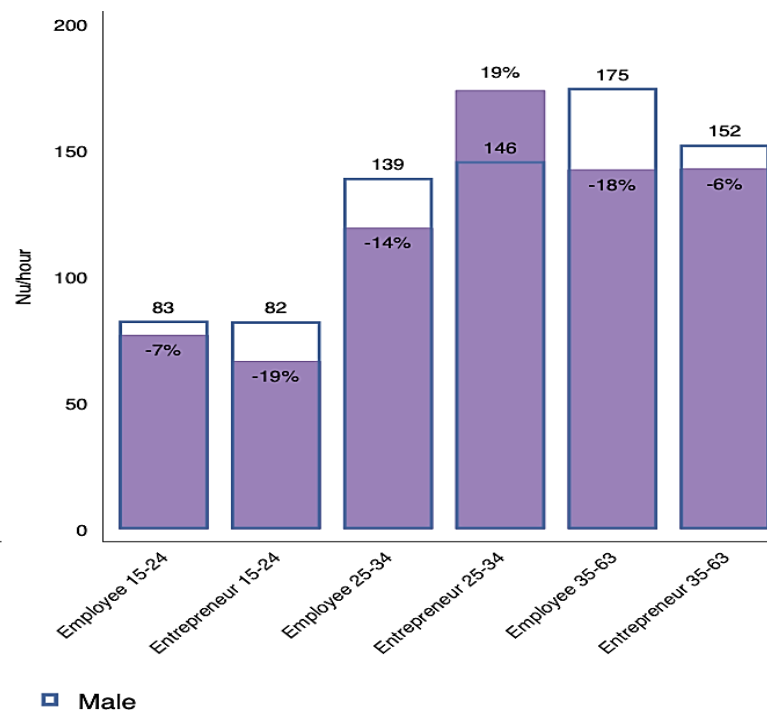
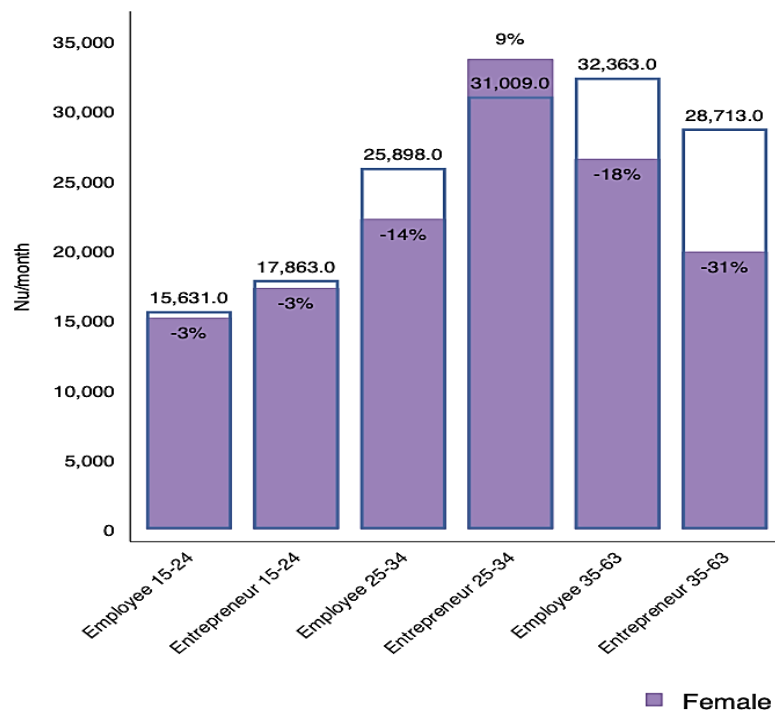


Fig 10.A. Monthly Earnings (Nu/month) by Sex and Age Group, 2023

Fig 10.B. Hourly Earnings (Nu/hour) by Sex and Age Group, 2023



Youth Entrepreneurship in Bhutan

Most young entrepreneurs in Bhutan are driven by opportunity rather than necessity.

- Nearly two-thirds (64.5%) of new entrepreneurs aged 25–34 entered business to pursue opportunities, while just over one-third (35.5%) did so out of necessity. Among youth aged 15–24, however, necessity entrepreneurship is more prevalent (45.3%).

Opportunity entrepreneurs consistently outearned their necessity-driven peers.

- The gap was especially pronounced among women with the monthly earnings of female opportunity entrepreneurs nearly doubling and outperforming male peers.
- Supporting transitions to opportunity entrepreneurship could enhance earnings and gender equity.

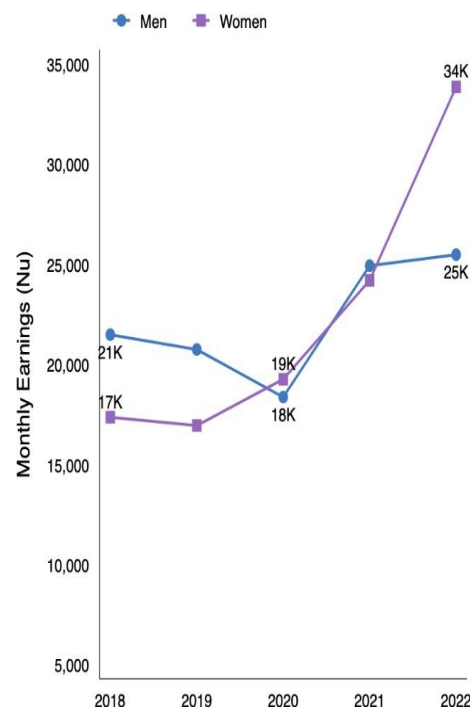


Fig 11.A. Monthly Earnings of Opportunity Entrepreneurs by Sex, 2018–2022

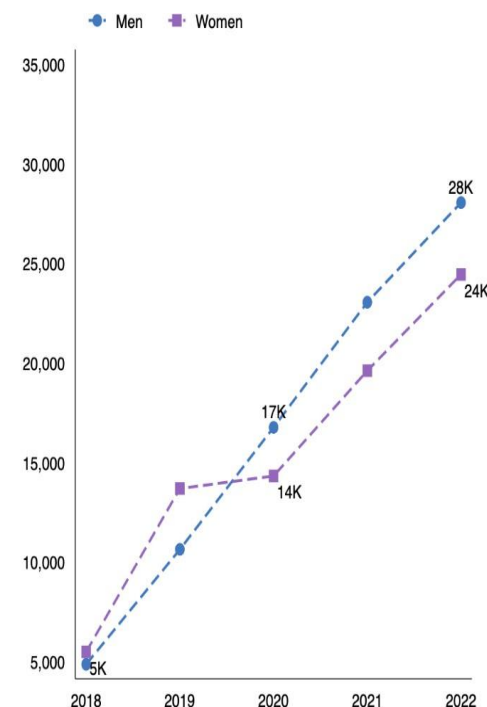


Fig 11.B. Monthly Earnings of Necessity Entrepreneurs by Sex, 2018–2022



Youth Entrepreneurship in Bhutan

Opportunity-driven entrepreneurs are increasingly concentrated in high value, high productivity sectors, with men overrepresented in the secondary sector and women in services

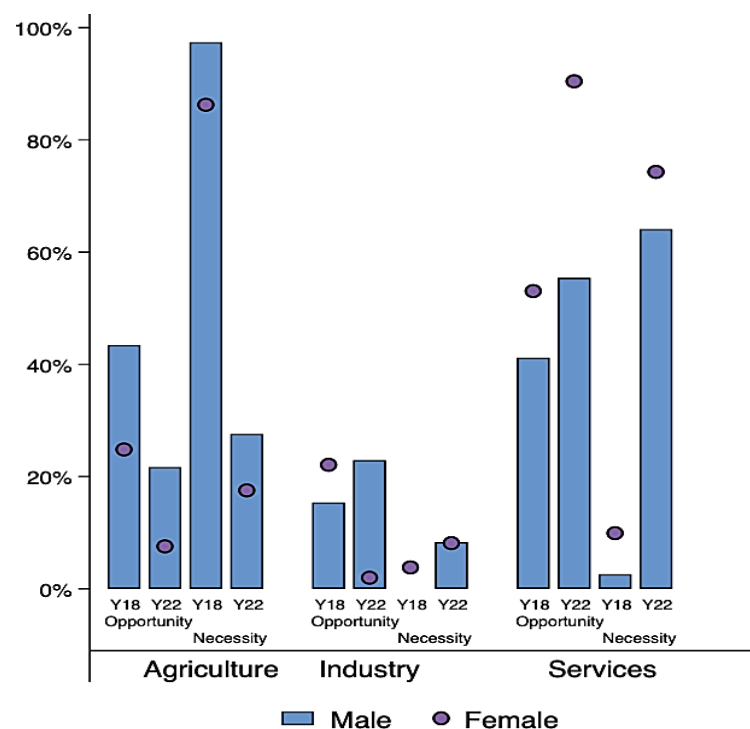


Fig 12.A. Sectoral Distribution of Entrepreneurs by Sex and Entrepreneurial Motivation, 2018 and 2022

Young opportunity- and necessity-driven entrepreneurs aged 15-34 have become more active in the secondary and tertiary sectors than older peers.

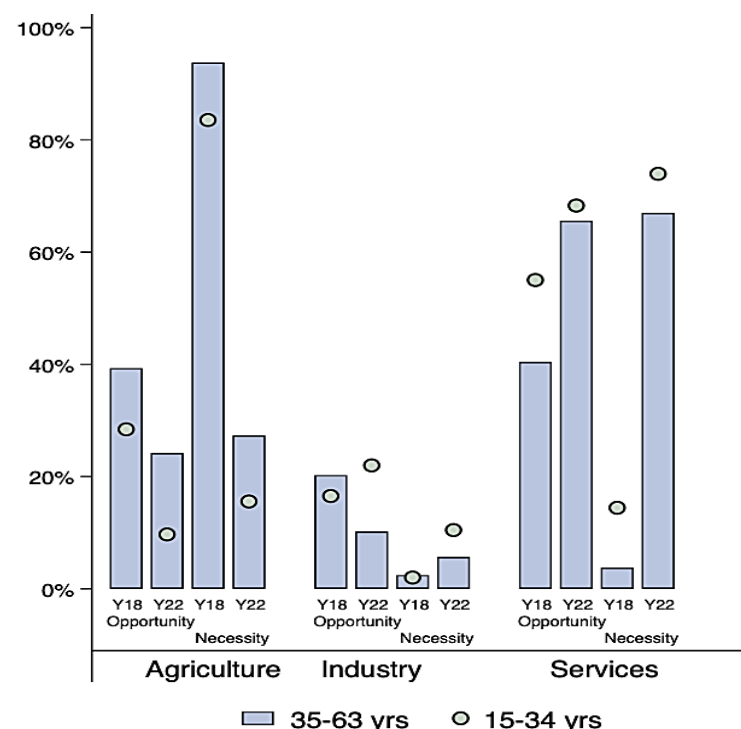


Fig 12.B. Sectoral Distribution of Entrepreneurs by Age and Entrepreneurial Motivation, 2018 and 2022



Youth Entrepreneurship in Bhutan

- Most entrepreneurs in Bhutan are **established business owners**, though few young people reach this stage.
- **Younger cohorts are well represented at initial stages of business development** – around 1/3 – yet make up less than 25% of established business owners.
- **Women representation also declines as ventures mature.**
- Potential entrepreneurs grew by 715% between 2018-22, while nascent ones declined by 32%. **Increased interest is accompanied by lower survival rates?**

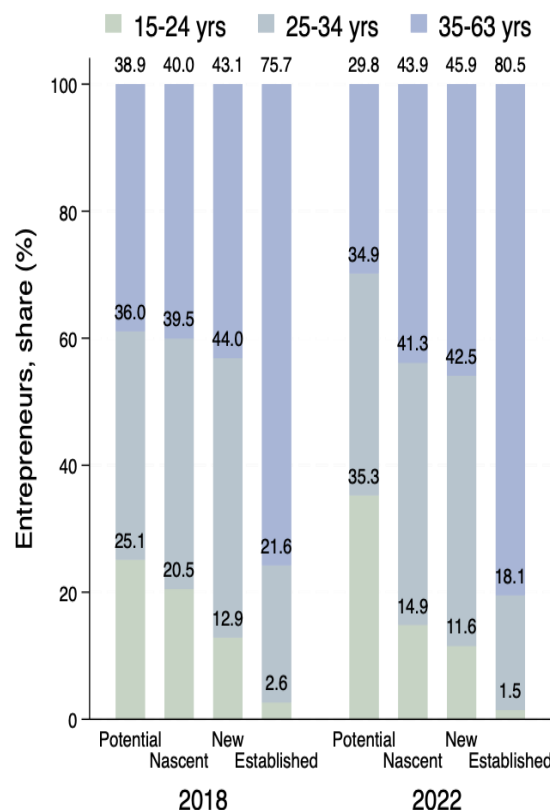


Fig 13.A. Share of Entrepreneurs at Different Business Development Stages, by Age, 2018 and 2022

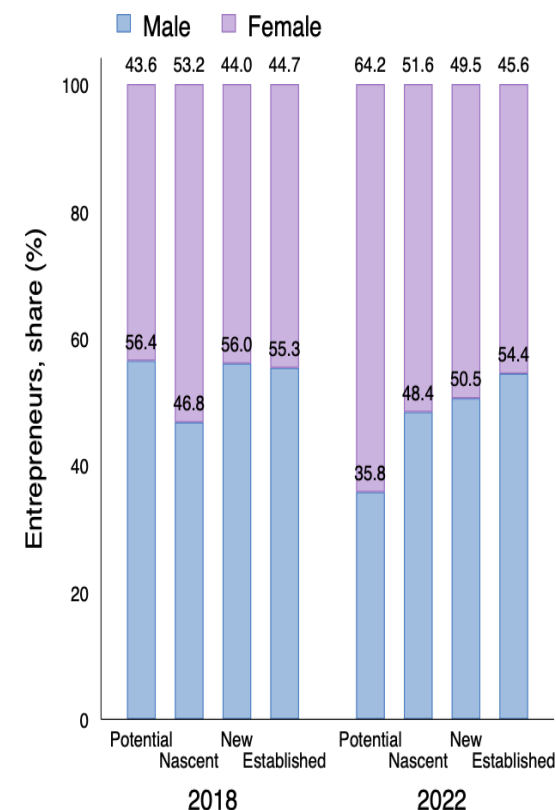


Fig 13.B. Share of Entrepreneurs at Different Business Development Stages, by Sex, 2018 and 2022



Youth Entrepreneurship in Bhutan

Decent work gaps are pronounced among young entrepreneurs compared to employees peers

- **Entrepreneurs at all stages of business development work more overtime than employees.** Overtime is generally **higher among women** than men within the same age and employment segment.
- **Working poverty affects women more than men at every stage of entrepreneurship,** especially among the younger and older cohorts.
- **Low pay is higher among established male business owners,** regardless of age.

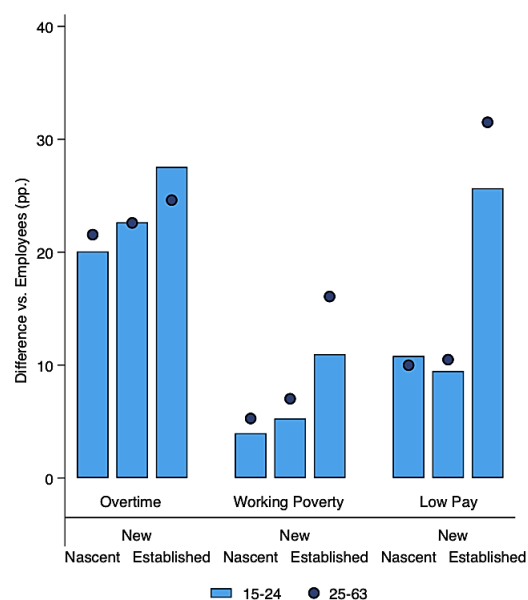


Fig 14.A. Incidence of Decent Work Gaps Versus Employees for Men by Age and Entrepreneurship Stage, Average, 2018–2022

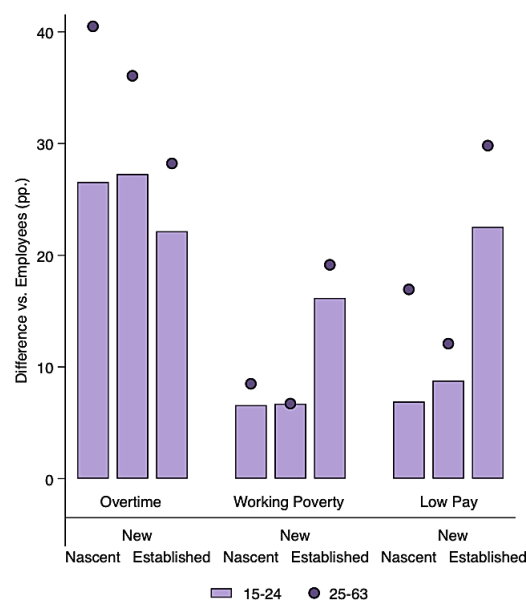


Fig 14.B. Incidence of Decent Work Gaps Versus Employees for Women by Age and Entrepreneurship Stage, Average, 2018–2022

The higher incidence of working poverty and low pay among entrepreneurs compared to employees suggests that **necessity, rather than opportunity, is the main driver of entrepreneurship in Bhutan.**



Policy Discussion

- Entrepreneurship can be a **potential solution** to youth employment challenges in Bhutan, but it remains underutilized and not sufficiently effective (e.g. youth-led ventures are short-lived, small-scale, and necessity-driven).
- **The current entrepreneurial ecosystem is not set up to support success at scale.** Entry into entrepreneurship is rising, but survival rates remain low and transitions into the most productive business stage are limited.
- **Opportunity-driven entrepreneurship generates better outcomes than necessity entrepreneurship.** Particularly, 25-34 years old female new businesses owners are among the most productive workers in Bhutan, yet few reach this stage. Unlocking their potential requires gender-responsive entrepreneurship promotion strategies from flexible financing to childcare support and mentorship networks.



Policy Discussion

- **Supporting transitions from necessity to opportunity entrepreneurship** could boost the economy and improve living standards.
 - 2,785 million Nu – 38.1 million USD – or 1.4% nominal GDP
 - In a small, open economy like Bhutan's, where labor market absorption in the private sector remains limited, investing in the quality and not just the quantity of entrepreneurial activity can yield outsized returns.
- A **two-pronged policy approach** is required.
 - **Expand early-stage exposure and entrepreneurial readiness**, especially among youth aged 15–24, where aspirations are high but capacity and support are low. Integrated entrepreneurship into secondary and tertiary education not only as a technical skill set but as a career mindset.
 - **Shift from a start-up promotion model to a business development model**, providing sustained access to finance, business incubation, digital tools, market linkages, and mechanisms to protect against income volatility, especially during the fragile early years of operation.



Policy Discussion

- **Entrepreneurship is a complement and not a substitutive to broader labor market and private sector development policies.** Youth employment challenges arise from weak school-to-work transitions, misaligned skills, and limited formal private sector demand. Addressing these issues through stronger job matching systems, public-private partnerships for training, and private sector incentives will increase the opportunity space for entrepreneurship to thrive.
- **Necessity entrepreneurship is not inherently negative**, serving as an income buffer and reduce pressure on the formal labor market during crisis (Covid-19). The objective should be twofold: support necessity entrepreneurs to improve their resilience and earnings, while enabling those with growth potential to become opportunity entrepreneurs.

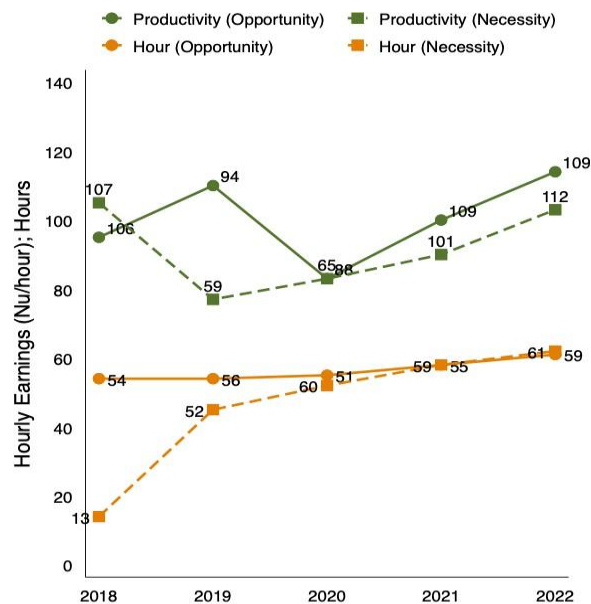


Fig 15.A. Hourly earnings and weekly working hours by entrepreneurship driver, 2018–2022

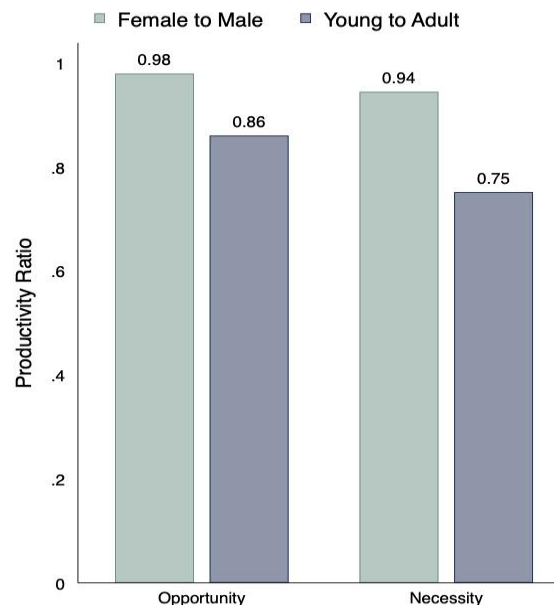


Fig 15.B. Gender and age productivity ratios by entrepreneurship driver, average 2018–2022



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