

A Systematic Review of Education-Job Market Alignment and Labour Dynamics in Nepal

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Abstract: This systematic review examines the alignment between Nepal's education system and its labour market dynamics, highlighting a profound and persistent disconnect that shapes the country's employment landscape. Through an analysis of 37 studies published between 2015 and 2025, the review identifies outdated curricula, insufficient industry-academia collaboration, and a cultural devaluation of vocational skills as key drivers of the mismatch. This misalignment produces graduates ill-equipped for market needs, fueling high youth underemployment and swelling the informal sector, which accounts for over 60% of employment. Consequently, international labour migration has become a default livelihood strategy, with remittances nearing 30% of GDP—a dependency that perpetuates domestic job scarcity and stifles productive investment. The review also highlights inequitable access to decent work, with persistent caste- and disability-based discrimination exacerbating labour market fragmentation. We conclude that isolated policy measures are insufficient; breaking this cycle requires a coordinated national strategy integrating educational reform, industrial policy, and inclusive social interventions to foster a resilient, equitable, and productive labour ecosystem in Nepal.

Keywords: Education, skills mismatch, youth unemployment, informal economy, labour migration, Nepal, TVET, job satisfaction, remittance economy

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1. Introduction

The global labour market is undergoing a profound transformation, driven by technological integration, globalisation, and macroeconomic pressures (Pasička et al., 2024; Smirnov, 2020). Innovations such as blockchain-based hiring systems and the rise of the gig economy are reshaping employment relationships, while automation and economic volatility present significant challenges, underscoring the need for lifelong learning and adaptive policy interventions (Kumar et al., 2024; Kudlai, 2024). Parallel to this, education systems worldwide are shifting towards technology-driven, flexible models to develop the critical thinking and digital competencies required for the 21st-century workforce. The central challenge for nations is to synchronise these evolving educational paradigms with the dynamic demands of the labour market to ensure employability, economic resilience, and inclusive growth.

In Nepal, this global challenge manifests with acute specificity and urgency. The country's labor market is characterized by a complex and often contradictory set of features: a significant structural transition from agriculture to services, the overwhelming dominance of an informal sector accounting for over 60% of employment, critically high rates of youth

underemployment, and a heavy dependence on foreign remittances which now constitute nearly 30% of GDP (Sharma, 2024; Sapkota, 2018; Karki, 2020). This economic configuration has precipitated a mass exodus of labour, with millions seeking work abroad due to a perceived lack of viable domestic opportunities (Baral & Neupane, 2023). While remittances provide a crucial lifeline, they also introduce socio-economic costs, including family disruption, a depletion of the workforce ("labour drain"), and a potential dampening of productive investment in the local economy (Dahal, 2024; Karki, 2020).

A core factor underpinning Nepal's employment crisis is the profound misalignment between its education system and the needs of the job market. Studies consistently reveal that both Technical and Vocational Education and Training (TVET) and university curricula are often outdated, theoretical, and disconnected from industry requirements (Bagale, 2018; JBR & Yadav, n.d.; Sharma, 2023). This skills gap leaves graduates ill-prepared for available jobs, exacerbating youth unemployment and underemployment, even as employers report shortages of skilled technical manpower (Sharma & Paudel, 2023). Furthermore, deep-rooted socio-economic disparities, including caste-based wage discrimination and barriers faced by persons with disabilities, further fragment and constrain the labour market (Mainali et al., 2017; Rana et al., 2022).

Given this complex nexus of issues, a consolidated analysis is necessary. This paper conducts a systematic literature review to synthesise existing empirical and theoretical research on the interconnected dynamics of Nepal's job market, education system, and the resulting outcomes in terms of job availability and worker satisfaction. By integrating findings from these interrelated domains, this review aims to provide a comprehensive overview of the systemic challenges and identify coherent policy and practical implications for fostering a more robust, inclusive, and aligned labor ecosystem in Nepal.

Therefore, this systematic literature review aims to synthesise existing research to provide an integrated analysis of the relationship between education, labour market dynamics, and employment outcomes in Nepal.

The specific objectives were to:

- a. Analyse the nature, causes, and consequences of the disconnect between Nepal's education system (TVET and higher education) and the demands of its labour market.
- b. Examine how this misalignment contributes to key labour market features, including high informality, youth underemployment, and reliance on international migration.
- c. Identify the implications of these dynamics for job availability, worker satisfaction, and equitable access to decent work.

2. Materials and methods

This study employed a systematic literature review (SLR) design to comprehensively identify, select, synthesize, and analyze existing research on education, labor markets, and employment in Nepal. The review adhered to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines to ensure methodological rigor, transparency, and reproducibility (Page et al., 2021).

2.1. Search Strategy and Information Sources

A comprehensive search strategy was designed to capture relevant scholarly work. The search was conducted across multiple electronic academic databases, including Scopus, Web of Science, Google Scholar, and Nepal-specific repositories such as Nepal Journals Online (NepJOL). To manage the breadth of the interdisciplinary topic, search queries were constructed using Boolean operators (AND, OR, NOT) to combine key concepts. ("Nepal" OR "Nepalese") AND ("labour market" OR "job market" OR "employment" OR "unemployment" OR "underemployment") AND ("education system" OR "TVET" OR "vocational training" OR "higher education" OR "skill development") AND ("migration" OR "remittance" OR "brain drain" OR "foreign employment") AND ("job satisfaction" OR "income satisfaction" OR "wage" OR "decent work").

Searches were limited to peer-reviewed journal articles, academic reports, and doctoral dissertations published in English between 2015 and 2025 to ensure relevance to the contemporary context. The initial database searches were supplemented by backward and forward citation chaining of key included studies to identify additional relevant literature.

2.2. Eligibility Criteria

After removing duplicates, titles and abstracts were screened against predefined inclusion criteria. Studies were included if they focused on Nepal, addressed topics related to education-job alignment, labor market structure, migration, or employment satisfaction, and were published in English between 2015 and 2025. Book chapters, opinion pieces, and studies without empirical or review components were excluded. The full texts of remaining articles were assessed for eligibility, resulting in the final corpus of studies included in this synthesis.

2.3. Study Selection Process

The systematic literature search and selection process followed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines, as illustrated in Figure 1. The identification phase involved searches across four academic databases, yielding an initial pool of 392 records. Prior to screening, 380 records were removed: 180 were identified as duplicates, and 200 were automatically filtered out by database tools based on preliminary exclusion criteria such as publication type or language.

The screening phase involved evaluating the titles and abstracts of the remaining 112 records against the predetermined eligibility criteria. During this stage, 280 records were excluded for reasons including: non-focus on Nepal's labor or education context, publication outside the designated timeframe (2015-2025), or being non-peer-reviewed sources such as editorials or opinion pieces.

Following initial screening, full-text retrieval was attempted for 112 reports. Of these, 15 could not be retrieved due to access restrictions or unavailability, resulting in 97 reports undergoing full-text eligibility assessment. A detailed review of these full texts led to the exclusion of 60 reports for the following reasons: 25 lacked empirical research components, 20 focused on topics unrelated to labor markets or education, and 15 provided insufficient methodological detail to assess study quality.

Ultimately, 37 studies met all inclusion criteria and were incorporated into the qualitative synthesis for this systematic review. These studies collectively form the evidence base for analyzing the relationships between Nepal's education system, labor market dynamics, and employment outcomes.

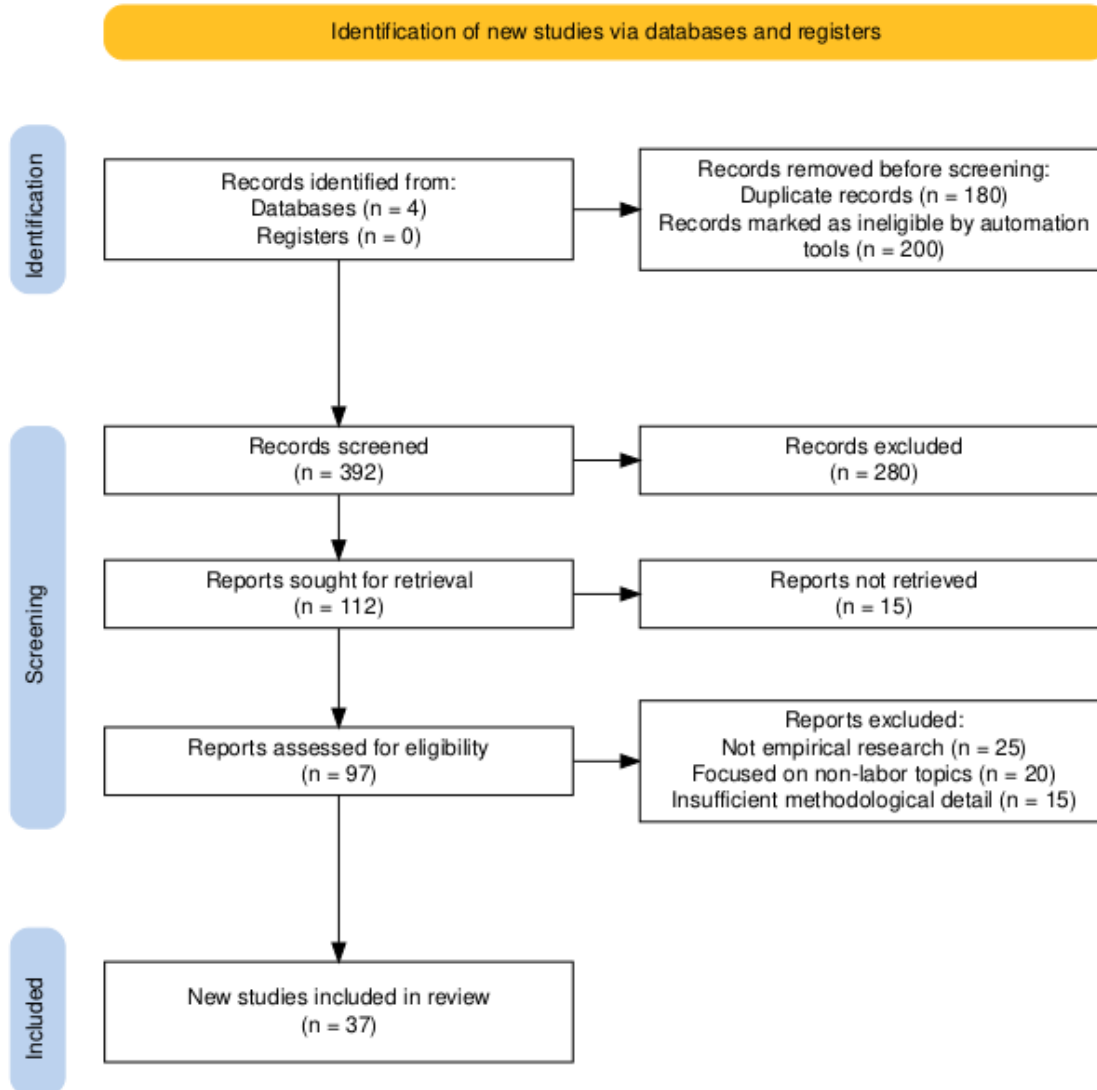


Figure 1: PRISMA Flow Diagram of the Study Selection Process (Haddaway et al., 2022)

2.4. Data Extraction and Analysis

Data from the included studies were extracted into a standardized matrix in Microsoft Excel, capturing key information: author(s), year, study title, research aims, methodology, key findings, and relevant direct quotations. This matrix facilitated the initial organization of evidence.

Thematic synthesis was chosen as the analytical method. The extracted data were imported into qualitative data analysis software (ATLAS.ti 23) for systematic coding and theme development.

3. Results

This systematic review synthesizes evidence from 37 studies to address three interconnected research objectives. The findings reveal a labor market shaped by deep structural features, an education system misaligned with employer needs, and a resultant heavy reliance on migration, all of which are moderated by persistent socio-economic inequities.

3.1. The Education-Job Market Disconnect

The most consistent and alarming finding across the reviewed literature is the profound and systemic mismatch between Nepal's education system and the practical demands of its labor market. This disconnect is not a minor inefficiency but a foundational flaw that permeates both technical and academic streams, devaluing educational attainment, fueling unemployment, and perpetuating a cycle of underdevelopment. The evidence reveals a multi-layered crisis characterized by outdated and irrelevant curricula, a critical lack of industry-academia collaboration, a pedagogical culture of rote memorization, and a deep-seated societal devaluation of practical and vocational skills. Together, these factors produce graduates who are often "certificated but not competent," ill-equipped to meet the needs of a modernizing, yet predominantly informal, economy.

At the heart of the technical education failure lies the Technical and Vocational Education and Training (TVET) sector. Despite its designated role as a bridge to employment, TVET in Nepal is critically detached from industry realities. Bagale (2018) identifies this as a "serious detachment," noting that graduates frequently face a trifecta of poor outcomes: unemployment, employment at depressed wages, or work in roles utterly unrelated to their training. The core of the problem is curricular. TVET courses are not updated in tandem with rapidly evolving market demands, creating a "notable gap between classroom teaching and the real-life workplace context." This gap is particularly acute in less developed countries like Nepal, where academic prestige often overshadows practical utility. The consequence is that TVET qualifications fail to signal genuine occupational competence to employers. The disconnect extends beyond theory into the physical tools of learning. The machinery, instruments, and technologies used in TVET institutions are often obsolete, mismatched with the advanced equipment standard in contemporary factories and workshops. Graduates may thus complete their training without ever having operated the actual technologies they will encounter in the workforce, leaving them with theoretical knowledge but practical incompetence. This renders substantial public and private investment in TVET ineffective, as the standard of graduates "often does not meet industry needs." Crucially, the current policy framework offers no clear mechanism to forge the essential link between education providers and industry consumers. Bagale (2018) concludes that without enforced collaboration—through joint curriculum development, trainer upskilling by industry experts, and mandated workplace-based training—TVET will continue to fail in its mission of enhancing human resource productivity and aiding national development.

The dysfunction is equally severe, though differently manifested, within Nepal's university system. Here, the misalignment is often one of strategic priorities and curricular relevance rather than just outdated equipment. A stark example is found in the field of Logistics and Supply Chain Management (LSCM), a sector vital for a landlocked nation engaging in global trade. JBR and Yadav (n.d.) found a "minimal level of inclusion" of LSCM in Nepalese business programs. None of the surveyed universities offered a dedicated program, and when included, LSCM was typically confined to a single, peripheral course. This omission is not accidental but strategic; business schools prioritize "'sellable' traditional degrees like finance and marketing," which are perceived as safer bets for student enrollment. This creates a significant "gap between the LSCM topics covered in curricula and the skills demanded by employers," highlighting a chronic misreading of the market. The problem is one of both omission and commission, where crucial topics are under-emphasized while less relevant ones dominate.

This curricular misalignment is compounded by a pedagogical culture that actively undermines the development of essential workplace competencies. Research focusing on employer perceptions reveals a clear consensus on the skills gap. Sharma (2023), examining engineering graduates, found that employers value proactiveness, practical skills, enterprising skills, and learning aptitudes above theoretical knowledge. However, the prevailing examination and teaching systems "do not sufficiently prepare students with all these skills. Instead, it supports a dependence on memorization that has actually a negative impact." This rote-learning paradigm, designed to succeed in standardized, theory-heavy exams, stifles critical thinking, problem-solving, and creativity—precisely the attributes needed to adapt and innovate in a professional setting. Similarly, for business graduates, Gyanwali et al. (2023) identify critical thinking, problem-solving, technology skills, organizational skills, and a continuous learning attitude as having a "huge impact on employee's performance." The fact that employers must explicitly list these basic professional competencies underscores the extent of the educational system's failure. The research clarifies that a degree is merely a starting point; the "social and cultural environments in which one grows" play a significant role in developing these essential soft and hard skills, suggesting that the education system operates in isolation from the broader ecosystem of skill formation.

Perhaps the most culturally ingrained aspect of this disconnect is the systematic undervaluation of informal and practical learning, a phenomenon critically analyzed by Baral (2020). The formal TVET and academic systems show a glaring blind spot towards “informal skills learners,” who receive “very little attention.” This includes artisans, apprentices, and returning migrants who have acquired substantial technical expertise abroad. Skills honed on the job are “often not formally recognized or certified,” and many skilled workers lack awareness of formal assessment systems. This creates a perverse situation where a welder with a decade of experience in Qatar may be deemed “unqualified” in Nepal because he lacks a certificate from an institution that uses outdated welding kits. Baral (2020) diagnoses a societal mindset termed ‘Pervasive Loitering Syndrome’ (PLS), which pervades individuals, institutions, and government. PLS is a “mindset... that underestimates the skills, work, and occupations,” likely stemming from a deep-seated ‘white-collar’ mentality that privileges office jobs over manual and technical trades. This cultural bias devalues the very sectors—construction, manufacturing, advanced agriculture, hospitality—that have the most potential for job creation and economic growth. It discourages youth from pursuing TVET, leads families to prioritize academic degrees of questionable value, and prevents policymakers from effectively integrating the vast reservoir of informally skilled labor into the formal economy.

The relationship between formal education and formal sector employment further illustrates the system’s faltering relevance. Bolli et al. (2019) trace how this relationship has evolved. While completing tertiary education still increases the likelihood of wage employment in the non-agricultural sector, the strength of this link has decreased over time. This suggests that the value of a university degree in securing a good job is eroding. More revealingly, the study finds that primary and secondary education show “very little direct relationship with wage-employment.” However, the decline in this relationship’s strength implies a telling trend: employers in the informal sector are increasingly hiring people with formal education. In essence, the informal sector, not the formal one, has become the relative growth area for absorbing the educated. This turns the conventional development model on its head; instead of education leading workers into formal, protected jobs, it is increasingly preparing them for absorption into the precarious informal economy. The informal sector offered “relatively more opportunities in 2014 compared to 20 years prior,” becoming the de facto employer for a swelling cohort of educated youth.

3.2. Consequences for Labor Market Structure and Migration

The inability of the education system to produce a workforce aligned with productive, value-adding sectors has created a self-reinforcing cycle that shapes three dominant features of Nepal’s contemporary reality: the overwhelming dominance of a low-productivity informal sector, a crisis of youth unemployment and underemployment, and the normalization of mass international labor migration as the default economic strategy for households and the nation. These consequences are deeply intertwined, each exacerbating the others and locking the economy into a state of remittance dependency that stifles endogenous growth and development.

The most visible structural consequence is the staggering scale of Nepal’s informal economy, which accounts for over 60% of total employment (Sharma, 2024). This informality is not an accident but a direct outcome of an economic structure that fails to generate sufficient formal, productive jobs. The dominance of the informal sector is both a cause and a symptom of the education-job mismatch. On one hand, because formal education does not reliably lead to formal sector skills, graduates are funneled into informal work—as street vendors, small-scale contractors, unregistered factory workers, or precarious service employees. On the other hand, the prevalence of informal work diminishes the incentive for individuals to invest in higher education or specialized training, as the returns are uncertain and the jobs available often do not require certified skills. Sharma (2024) documents a significant sectoral shift within this informal context: agricultural employment has declined from 39% in 2003 to 24.6% in 2024, with a corresponding rise in service sector engagement. However, this is not a shift to high-value services but often to low-productivity, informal trade, transport, and personal services. The informal sector, while providing a crucial livelihood “safety net” for millions and contributing significantly to GDP, is characterized by inferior wages, a complete lack of job security and social benefits (like insurance or pensions), and vulnerability to economic shocks (Wei, n.d.). It particularly entraps vulnerable groups, such as women in rural areas, in cycles of low pay and insecurity. The per-worker productivity in this environment remains the lowest in Asia, with 56% of workers experiencing time-related underemployment—meaning they are working fewer hours than they desire or in roles that underutilize their capacity (Sapkota, 2018). This creates a vast pool of latent, underutilized labor, a testament to an economy failing to harness its human capital.

This failure hits Nepal’s youth with catastrophic force, resulting in a youth unemployment crisis that is both a statistical reality and a social time bomb. Each year, over 450,000 young people enter a labor market utterly incapable of absorbing them, leading to an official youth unemployment rate of 19% (Gelal, 2022). The problem is not merely a lack of jobs, but a lack of “suitable jobs with fair pay.” The research by Khatri et al. (2025) reveals a disturbing macroeconomic paradox: while GDP growth logically enhances youth labor force participation, other indicators of economic activity, specifically remittances and foreign direct investment (FDI), are correlated with an increase in youth unemployment. This counterintuitive finding points to deep structural inefficiencies. Remittances, often spent on consumption and real estate, may inflate local economies without creating productive employment, while FDI might be concentrated in capital-intensive rather than labor-intensive sectors. The youth face unique and compounding obstacles: a relative lack of labor market experience, limited access to the social and financial capital needed to start enterprises, and the fact that their career prospects are “particularly vulnerable to deteriorating local economic conditions” (Rajbhandary, n.d.). Even brief exposure

to a poor labor market at the start of their working lives can have severe, long-lasting “scarring effects” on their earnings and career trajectories. The consequence is a massive erosion of skills, ambition, and hope among a generation, manifesting in financial dependency, mental health challenges, and a desperate search for alternatives.

That alternative, for a staggering proportion of the population, is international labor migration. The literature unequivocally identifies the lack of aligned domestic job opportunities as the primary “push-factor” (Karki & Manandhar, 2017). Ghimire and Hillman (2022) detail the “influential forces” as a lack of rural employment, general economic hardship, and the search for better livelihoods, leading to an exodus primarily to the Gulf countries and Malaysia. The scale of this phenomenon is almost incomprehensible in its magnitude: between 2009/10 and 2016/17 alone, 3,289,668 official labor permits were issued (Karki, 2020). By 2011, one in every four Nepali households had at least one member living abroad. This migration is predominantly male and geographically concentrated, with over 50% of migrants coming from the Koshi and Madhesh provinces, while the western provinces of Karnali and Sudurpashchim see fewer official migrants, with their residents historically moving to India (Baral & Neupane, 2023). The economic impact of this migration is profound and dualistic, creating what is essentially a national economic model built on exporting labor and importing remittances.

Table 1: Key Labor Market and Migration Indicators

Indicator	Finding	Source
Informal Employment	>60% of total employment	Sharma (2024)
Youth Unemployment Rate	~19%	Gelal (2022)
Time-Related Underemployment	56% of workers	Sapkota (2018)
Remittances as % of GDP (2019)	29.9%	Karki (2020)
Labor Permits Issued (2009/10-2016/17)	3,289,668	Karki (2020)

On the positive side, remittances have become the absolute pillar of the Nepali economy. Nepal ranks as the third-largest remittance-receiving country in the world as a percentage of its GDP, with remittances accounting for 29.9% of GDP in 2019 (Karki, 2020). This inflow has increased almost 18-fold in less than two decades, transforming the economy from agricultural-based to remittance-based. These funds perform critical functions: reducing poverty at the household level, alleviating income inequality to some degree, and allowing families to invest in education and housing (Baral & Neupane, 2023). Migrants themselves often gain new technical and soft skills abroad, and the inflow of capital provides liquidity to the financial system.

However, the negative consequences are severe and threaten the nation’s long-term development. Dahal (2024) provides a crucial reframing of the classic “brain drain” debate, arguing that Nepal’s real crisis is not the loss of a small elite but an excessive “labour drain.” The issue is not a few doctors and engineers leaving, but the departure of millions of working-age individuals—farmers, construction workers, drivers, and technicians—creating a “severe shortage of workers in many sectors.” This drain cripples domestic productive capacity. Baral and Neupane (2023) document the resulting abandonment of agricultural land, leading to reduced food productivity and deteriorating rural infrastructure. Critical sectors like healthcare face dire shortages, as seen with physiotherapists and other skilled professionals leaving en masse (Nepal et al., 2022). Furthermore, the reliance on remittances creates a rentier-style economy; the funds are primarily used for consumption and real estate speculation rather than productive investment in businesses or industries that could create jobs (Sapkota, 2018). This creates a vicious cycle: a lack of jobs causes migration, and remittance-driven consumption fails to create new jobs, prompting further migration. The social costs are equally heavy: emotional strain from separated families, disrupted childhoods, and the transfer of caregiving burdens to women left behind.

The labor market structure and migration are thus locked in a toxic embrace. The informal, low-productivity domestic market cannot absorb the educated and uneducated youth produced by a misaligned education system. This failure pushes massive numbers to migrate, which in turn provides the remittance lifeline that stabilizes the economy politically and socially but simultaneously undermines the pressure and capital needed to reform the very education system and industrial base that caused the exodus. It is a perfect equilibrium of underdevelopment. The gig economy (Thapa, 2024) and rural economic potential (Leur, 2022) are cited as nascent alternatives, but they remain marginal within this dominant structural reality. Until the cycle is broken by intentional, disruptive policy that forges true education-industry links and stimulates job-creating domestic investment, Nepal’s labor market will remain defined by informality at home and dependence on distant foreign labor markets abroad.

3.3. Implications for Job Availability, Satisfaction, and Equity

The structural realities of Nepal’s labor market—shaped by education-job mismatch and mass migration—produce starkly uneven outcomes in terms of where jobs are available, what constitutes a satisfying job, and who has access to decent work. The findings reveal a landscape of geographic concentration, the rise of precarious new work forms, complex determinants of worker well-being that transcend simple pay, and deeply entrenched socio-cultural barriers that systematically exclude marginalized groups. These implications highlight that the challenges of Nepal’s labor market are

not merely quantitative (not enough jobs) but are profoundly qualitative (poor job quality) and distributive (profoundly unequal access).

Job availability in Nepal is not a national phenomenon but a geographically fragmented one, intensifying regional disparities. Opportunities are highly concentrated, with research indicating that job openings are primarily found in just 16 out of 77 districts, with the Bagmati province—home to the capital Kathmandu—dominating job creation (Yadav et al., 2020). This concentration fuels significant internal rural-urban migration as youth from outlying regions move to urban hubs in search of prospects, often finding themselves in the city’s expansive informal sector (Basnet et al., 2021). A 2024 report on population and technology notes that while digitalization is creating some new jobs in cities, the urban-rural digital and economic divide persists and may even be widening, emphasizing the urgent need for infrastructure and opportunity development beyond the major valleys.

Emerging within this concentrated urban landscape is the gig economy, facilitated by digital platforms for ride-hailing, food delivery, and freelance work. Thapa (2024) identifies this sector as gaining significant youth attention by providing flexible, platform-based work, thereby “addressing unemployment” and contributing to GDP. However, this new form of job availability comes with severe caveats. The sector operates in a regulatory vacuum, characterized by a “lack of proper regulation by the authorities” leading to “inadequate legal protection and job security.” Workers are typically classified as independent contractors, denying them benefits, minimum wage guarantees, collective bargaining rights, and protection from arbitrary dismissal. This represents a modern incarnation of informality—digitally mediated but equally precarious. It offers availability without stability, embedding vulnerability into the very architecture of new job creation. Similarly, while SMEs are touted as engines of job creation, they are often stifled by challenges in accessing formal credit, limiting their growth and employment potential (Karki et al., n.d.).

Moving beyond mere availability, the quality of work and worker satisfaction are determined by a multifaceted set of factors that complicate traditional economic models. Income satisfaction is a critical component of overall job satisfaction but is not synonymous with a high absolute salary. The literature consistently shows that fairness and equity in compensation are as important as the amount. Zhou (2022) emphasizes that “ensured fairness in salary systems and provided growth opportunities are major” drivers of satisfaction, while perceived inequity leads to dissatisfaction and turnover. This sense of fairness is often linked to relative income—how one’s pay compares to peers—a powerful psychological determinant.

The determinants of satisfaction also exhibit a clear generational divide, a finding with significant implications for managing a youthful workforce like Nepal’s. Kollmann et al. (2020) demonstrate that younger employees derive primary job satisfaction from monetary rewards and are highly sensitive to being under-rewarded. For them, pay is a direct measure of worth and opportunity. In contrast, older employees find greater satisfaction in their task contributions and the meaningful use of their skills and are more troubled by over-reward inequity (feeling they are paid too much for their input). This suggests that for Nepal’s youth, who are often in entry-level or insecure roles, improving tangible compensation is a direct pathway to higher retention and morale. For older workers, including those who may return from migration, providing meaningful, skill-utilizing work is paramount.

Furthermore, satisfaction stems from a holistic work environment. Axelrad and Yirmiyahu (2022) found that income satisfaction, combined with additional benefits, a sense of belonging, and work-life balance, enhances the desire to continue working, especially among older cohorts. Effective HR practices—structured training, clear career advancement paths, recognition, and perceived organizational support—are repeatedly identified as crucial amplifiers of job satisfaction (RB & Bhavikatti, 2024; Lutu et al., 2022). Turangan and Setiawan (2022) quantified this, finding that compensation, work environment, and organizational culture collectively explain 81% of job satisfaction. This underscores that in a market where high-paying formal jobs are scarce, improving the non-monetary aspects of existing jobs could be a viable strategy for enhancing worker well-being and productivity.

Table 2: Key Determinants of Job and Income Satisfaction in Nepal’s Context

Determinant Category	Key Factors	Impact & Notes	Primary Source
Compensation & Equity	Absolute salary level; Perceived fairness (internal/external equity); Transparency in system.	Fairness is as critical as Relative amount. deprivation (comparing to others) is a major source of dissatisfaction.	Zhou (2022); Kollmann et al. (2020)
Workplace Environment	Supportive supervision; Positive organizational culture; Sense of	Creates psychological safety and belonging. Crucial for overall job	Axelrad & Yirmiyahu (2022); Turangan & Setiawan (2022)

	belonging; Work-life attachment and reducing balance.	
Growth & Development	Opportunities for skill development; Career advancement paths; Training opportunities.	Especially critical for younger workers and older workers (>50) seeking meaningful engagement. Grmanová & Bartek (2023); RB & Bhavikatti (2024)
Intrinsic Motivation	Meaningful task contribution; Work Sense of purpose.	Powerful driver, especially for older employees. Can lead to satisfaction even in lower-paid roles. Mihalca (2021); Kollmann et al. (2020)
Demographic Moderators	Age: Youth value pay; Older value task contribution. Tenure/Education: Affects perceptions of climate and opportunity.	Age significantly changes what is valued. Experience and education level shape expectations and perceptions. Kollmann et al. (2020); Okumuş & Bakan (2022)

Finally, and most critically, the equity of access to available and satisfying jobs is severely constrained by persistent, identity-based discrimination. The labor market is not a neutral meritocracy but a site where historical social hierarchies are reproduced. Mainali et al. (2017) provide robust econometric evidence of caste-based wage discrimination. Their study finds that workers from intermediate (Matwali) and low (Pani Nachalne) castes earn considerably less than those from high (Tagadhari) castes. This gap is not fully explained by differences in education or experience (human capital); a significant portion is attributed to discriminatory employer behavior and segregated access to higher-paying occupations and firms. Even government affirmative action policies have had mixed success, benefiting Matwali workers but showing no significant effect for the Pani Nachalne group, suggesting that the most marginalized face the most intractable barriers.

Similarly, individuals with physical disabilities navigate a labyrinth of barriers. Rana et al. (2022), in a phenomenological study, detail a spectrum of obstacles ranging from over-protective family behaviors that limit independence, to direct discrimination and negative attitudes from employers, to physical inaccessibility of workplaces and a lack of supportive technology. Maintaining employment is often a greater challenge than finding it. The study identifies key enablers: childhood education, supportive family attitudes, and the presence of disability-friendly policies at the organizational and national levels. This highlights that without targeted, inclusive policies that actively combat discrimination and create level playing fields, broad economic or educational policies will fail to reach all citizens.

4. Discussion

The education-labor market disconnect must be understood not as a simple gap but as the primary engine of Nepal’s distinctive economic structure. The production of graduates with theoretical knowledge but deficient practical, critical, and adaptive skills creates a workforce ill-suited for value-adding formal sector growth. This does not merely result in unemployed graduates; it actively shapes the economy by funneling the educated into the vast informal sector, where underemployment is the norm and productivity remains stagnant. The resulting low-wage, low-security environment then acts as a powerful push factor for migration. Consequently, the economy becomes structurally dependent on remittances, which, while providing a crucial consumption lifeline, may inadvertently crowd out the political and economic urgency for transformative investment in domestic productive capacity. This creates a perverse feedback loop: migration relieves immediate employment pressure, but the remittance-driven, consumption-oriented economy fails to generate the quality jobs that would keep people home, thereby fueling further migration. Dahal’s (2024) reframing from “brain drain” to “labour drain” is critical here; the exodus is not of a small elite but of the nation’s working-age backbone, directly depleting the human capital needed to break the cycle.

This domestic cycle exists within, and is challenged by, a global context of rapid technological and labor market transformation. International trends highlight the rising premium on digital literacy, adaptability, and lifelong learning (Pasioka et al., 2024). Nepal’s current struggle—to align its education system with even basic industrial needs—places it

at a severe disadvantage in this global race. The emergence of Nepal's own gig economy, while offering youth engagement and flexible income, mirrors global patterns of platform-mediated precarity. It represents a new, digitally-facilitated form of the old informal sector, offering "availability" without the protections of "decent work." This presents a dual challenge for policymakers: they must execute the foundational task of aligning education with today's job market while simultaneously preparing future generations for the fluid, technology-driven work of tomorrow. Without this dual focus, Nepal risks creating a workforce that is perpetually behind, training for yesterday's jobs while the global economy moves forward.

Furthermore, the findings on job and income satisfaction reveal that the deficits in Nepal's labor market are not only quantitative but profoundly qualitative. The generational divide in what drives satisfaction—monetary rewards for youth versus meaningful task contribution for older workers—has direct implications for policy. For the vast cohort of dissatisfied youth, improving mere job availability is insufficient if the jobs do not offer livable wages and clear progression pathways. The "satisfaction paradox," observed globally among migrant and low-wage workers who report happiness due to a lack of better options, likely operates in Nepal as well (Sardadvar et al., 2017). This suggests that survey-based measures of job satisfaction must be interpreted cautiously, as they may reflect resignation rather than genuine fulfillment. Therefore, strategies to retain talent and reduce migration must address both the availability and the quality of work, ensuring jobs are not only present but also fair, secure, and offering opportunities for growth and dignity.

Crucially, this discussion must confront the evidence that market inefficiencies are deeply entangled with socio-cultural inequities. The labor market does not operate on a level playing field; it actively reproduces caste hierarchies and disables potential workers through discrimination and inaccessible environments. The evidence on caste-based wage discrimination (Mainali et al., 2017) and the multifaceted barriers faced by persons with disabilities (Rana et al., 2022) demonstrates that "skill" and "merit" are filtered through powerful social lenses. Affirmative action policies have shown limited success, indicating that legislative measures alone cannot overcome deep-rooted employer bias and social stigma. This means that any policy aimed at improving education-job alignment or stimulating job creation will have muted and unequal impact unless it is explicitly designed with an intersectional equity lens. Investing in rural technical colleges, for example, will fail if students from marginalized castes or students with disabilities face discrimination upon graduation. Therefore, breaking the dysfunctional labor market cycle requires parallel, dedicated efforts to dismantle discriminatory structures within workplaces, educational institutions, and society at large.

5. Conclusion

This systematic literature review has synthesized a substantial body of research to demonstrate that the interconnected crises of youth unemployment, skills gaps, and mass labor migration in Nepal are not isolated failures but symptoms of a deeply entrenched systemic disconnect. The core finding is that Nepal's labor market is trapped in a self-reinforcing cycle: an education system misaligned with economic needs produces a workforce for which the domestic formal sector cannot provide adequate employment, thereby normalizing migration as the primary livelihood strategy. This reliance on remittances, while providing essential household stability, inadvertently perpetuates the conditions of the crisis by failing to stimulate the productive, job-creating investment necessary for sustainable development. This cycle is further compounded by persistent socio-cultural inequities and is now intersecting with global trends of digital platform work, presenting both new opportunities and new forms of precarity.

The implications of this analysis are clear and demand a fundamental shift in policy approach. Isolated interventions in curriculum design, job fairs, or migration regulation are destined to have limited impact because they fail to address the systemic nature of the problem. Breaking this cycle requires nothing short of a coordinated national strategy for human capital development and decent work creation, where education, industrial policy, and social equity agendas are deliberately synchronized.

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