



Situation of Demographic Dividend and Employment Situation in the Context of Nepal

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Abstract

The world has 1.8 billion people aged 10-24, the highest ever recorded, largely due to the least developed countries. This paper examines the Situation of Demographic Dividend and employment situation in the Context of Nepal. The study uses secondary data and meta-analysis to analyze government reports, census data 2021, reports, youth policy, and related documents. Over the past 40 years, the proportion of young people in Nepal's total population has steadily increased, with the most pronounced increase between 2011 and 2021.

With a large working-age population—most commonly referred to as a "youth bulge"—that makes up 65.3% of the total population, Nepal has a demographic dividend. The 2021 census shows that 42.5% of people are between the ages of 16 and 40, which is important for promoting economic growth and innovation. According to the National Youth Policy 2072 (2015), 40.3% of people are between the ages of 16 and 40, while 65.3% of people are of working age. With more than 66% of Nepalese living in cities and many looking for work overseas, urbanization is on the rise. Nonetheless, issues like the youth exodus and a 12.7% youth unemployment rate need to be addressed. The World Bank emphasizes the need for 6.5 million jobs by 2050, with a focus on job creation, education, and vocational training. To optimize demographic benefits, government action is necessary to address issues of employment, population growth, and age distribution.

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Introduction

A demographic dividend denotes the economic growth potential arising from a population change, where the working-age population (15–64) exceeds the dependent population (youth and elderly). This happens when falling fertility rates allow for faster economic growth, requiring investments in education, health, and jobs to achieve its advantages [1].

Countries must invest in human capital, generate employment opportunities, and enact supportive economic policies in order to reap the benefits of this dividend. For instance, Nepal can use its sizable working-age population to achieve notable economic growth. When the working-age population (15–64 years old) surpasses the number of dependents (under 14 and over 65), money from the younger generation can be reallocated to family welfare and economic development, according to the United Nations Population Fund (UNFPA). In countries where youth populations are growing and fertility rates are falling, it is critical to acknowledge and prepare for this potential [1].

The global demographic dividend shows that a greater proportion of working-age people than dependents could lead to economic growth, particularly in developing nations. Investments in education and health care can optimize this. Stages 2 and 3 of the four stages of the demographic transition provide the most advantages. With falling fertility and mortality rates, Nepal is currently undergoing a transition. As a result, a larger percentage of its population is of working age, which suggests prospects for social and economic advancement [2].

The age distribution of a population, which should ideally be dominated by individuals of working age, is crucial to its economic situation. Social and economic issues arise when there are too many children. East Asian nations have shown how shifting from a younger, low-life expectancy population to an older one can result in a demographic dividend that boosts economic growth and living standards. Socioeconomic advancement can be facilitated by the expansion of the working-age population [3].

The demographic dividend in Nepal, resulting, as life expectancy rises and fertility rates

decline, working-age population grows, creating a demographic dividend that could increase GDP per capita. But problems like poverty, unemployment, and inequality impede progress. Nepal must implement transformative policies centered on investment, human capital development, and inclusive growth in order to fully leverage this advantage. These policies must also address regional disparities and educational gaps in order to improve living standards and spur economic growth [4].

The phrase "demographic dividend" refers to the potential for economic growth that results from changes in the age distribution of a population, especially when there is a higher proportion of people in working age and lower fertility rates. The population growth rates, age distributions, and dependency ratios impacted by labor force participation, GDP, savings, migration, fertility, mortality rates, and literacy are the main topics of this report, which examines Nepal's demographic trends based on the 2021 National Population and Housing Census and other sources. About 65.2% of people were working age in 2021, with youth making up 27.8% and seniors making up 6.9%. With a working-age growth rate of 1.75% and an overall population growth rate of 0.92%, Nepal entered the demographic dividend phase in 2019 and is predicted to last until 2051. In 2021, the dependency ratio was 53.3; if it stays below 60, the demographic dividend status can be maintained. It is anticipated that the 1991–2001 phase will end by 2034 [5].

According to the 2021 census, there were 29.1 million people in Nepal, of which 82.2% (23.9 million) were deemed to be of working age (10 years and older). Men make up 8.2 million of the 15.7 million economically active population (EAP), while women make up 7.5 million. 10.2 million of the 13.9 million workers between the ages of 15 and 64 are employed, while 0.76 million are unemployed. With 3.4 million EAP, the Bagmati province has the highest, while Karnali has the lowest at 0.95 million. The 25–29 age range is the peak EAP age group. In comparison to the Tarai region, which exhibits the highest EAP in relation to its population, the mountain zone exhibits the lowest. Peri-urban areas have the largest EAP distribution (5.9 million), followed by rural areas (5.8 million) and urban areas (3.9 million). Remarkably, 34.3% of those 10 years of age and older do not have a job [6].

The employment rate for those 10 years of age and older is 42.9%, with a notable gender disparity of 52.5% for men and 34.0% for women. For people between the ages of 30 and 54, employment peaks at more than 60%. Madhesh trails Koshi in employment at 34.7%, while Koshi leads at 49.0%. The employment rate for women is significantly lower in urban areas (39.0%) than in rural areas (49.0%). Highly educated people have the highest employment rates (59.6%), while those with only a basic education have the lowest (38.5%). Even with a robust youth population that could increase GDP per capita, issues like poverty, unemployment, and inequality still exist. To take advantage of the demographic dividend, strategic policies that address infrastructure and regional disparities, encourage investment, and develop human capital are required [6].

Objectives

The study explores the demographic dividend in Nepal by analyzing secondary data, focusing on the opportunities and challenges it presents. It also aims to review relevant policies and practices while examining Nepal's demographic dividend and employment ratio.

Methodology

This study employs secondary data analysis, utilizing reliable reports and datasets, particularly from the national statistics office (NSO), to evaluate Nepal's demographic dividend. It synthesizes existing data to highlight opportunities and challenges, while acknowledging limitations such as its retrospective approach, dependency on dataset quality, and potential lack of detailed data. The goal is to provide a comprehensive, evidence-based assessment through the triangulation of multiple sources.

Result and Discussion

Situation of Demographic Dividend in the World

The largest number of people between the ages of 10 and 24 in the world, 1.8 billion, is expected to increase until 2070 due to the fastest-growing least developed countries. If significant investments are made in health and education, this population could provide a financial benefit. During the demographic transition's Stages 2 and 3, which are marked by fast growth and falling birth rates, the dividend peaks. Nonetheless, issues like youth unemployment and

the rise in unemployment continue to be widespread. The population of developed countries is declining, while developing countries are still in the early stages of transition. Aligning employment opportunities with the growing labor force and addressing growing healthcare costs are necessary for economic benefits. By increasing the labor supply and enhancing human capital, effective policies can increase the demographic dividend [7].

The demographic transition, characterized by young populations and high fertility rates, is still in its early stages in most Sub-Saharan African countries. Issues like poverty and potential political instability are brought on by this. Projected estimates indicate that a demographic dividend could be realized between 2040 and 2050, aligning with development agendas like the ICPD Programme of Action and Africa's Agenda 2063. Contextual Sustainable Development The goals include economic development, gender equality, health, and education. This agenda was adopted by the African Union in 2013, and in 2017 it created a roadmap that gave priority to rights, governance, youth empowerment, employment and entrepreneurship, education and skill development, and health and wellbeing [8].

Africa

Africa's demographic profile is defined by high fertility and falling mortality rates, which lead to a population explosion that impedes Sub-Saharan Africa's economic development. To fully realize the potential demographic dividend, it is imperative to make efficient use of the growing labor force. The UN Population Fund estimates a potential dividend of \$500 billion per year for 30 years if these nations follow East Asia's lead. Uganda, one of the least developed countries, might find it difficult to accomplish this without steady work, though [9].

Ireland

In Ireland, the legalization of contraception in Ireland in 1979 led to a decrease in the fertility rate and dependency ratio, which helped to create the demographic dividend that fueled the Celtic Tiger economic boom in the 1990s. Increased female labor participation and a shift from net outward migration to a net inflow of working-age people were the hallmarks of this change [10].

East Asia's

The 1950s and 1960s saw a major demographic shift in East Asia, which resulted in a demographic dividend that was marked by economic expansion. South Korea's 2,200% increase in per capita GDP and Thailand's 970% growth from 1950 to 2008 are examples of countries that achieved remarkable GDP increases by investing in youth, improving family planning, and lowering fertility rates. Access to technology and knowledge from nations that had experienced comparable changes was a major factor in the East Asian Tigers' economic achievements [11].

Asia-West

With people between the ages of 15 and 29 accounting for about 30% of the population, West Asia has recently experienced a youth bulge. Similar to the rise of young East Asians in the Asian Tigers through education and employment, this demographic shift is viewed as a chance for economic growth and development [12].

India's average age is expected to reach 29 by 2026, making a substantial contribution to the global demographic shift. According to the IMF (2011), demographic shifts are to blame for India's growth since the 1980s. With a sizable working-age population, India is predicted to overtake China as the most populous country in the world by 2025. For the next twenty years, this demographic dividend could increase GDP growth per capita by two percentage points every year. However, with 1.692 billion people expected to live on the planet by 2050, it is imperative to address future living standards through access to food, water, and energy [13].

Nepal

In Nepal, the term "demographic dividend" describes the potential economic growth brought about by a population age distribution in which the number of people in the working age group (15–64 years old) greatly exceeds that of the non-working age group (under 14 and over 65). Economic productivity can be increased by this demographic shift, especially in nations where the number of young people is growing and fertility rates are falling. Young people need to have access to high-quality health, nutrition, and education services in order to realize this potential. The dependency ratio rises initially during the transition and then falls as more people join the workforce. Growth can be aided by effective public policies, and social changes like an increase in divorce rates and the number of single-person households may happen at the same time [11].

Nepal started its demographic transition at lower ages, in contrast to East Asia's demographic experience, which is characterized by higher marriage ages. This presents an opportunity to fund policies that encourage later marriages and births, which calls for increased funding for women's and girls' health and education. The achievements of nations like China, Taiwan, and Korea demonstrate how crucial it is to provide women with access to education and how the government can support these investments. The demographic window of opportunity for Nepal, like that of Indonesia, Malaysia, and Taiwan, started in 1992 and will last until 2047. Now that 30 years have passed, there are still 25 years left in this time frame, which is remarkably similar to that of its development peers. The following table shows the demographic dividend in selected countries.

Table 1: Demographic Dividend in the Selected Countries

Country	Year		Length
	Start	End	
Africa	1991	2084	103
Americas	1974	2032	58
Asia-Pacific	1975	2033	58
Europe	1964	2001	37
Thailand	1966	2010	44
China	1968	2012	44
Singapore	1966	2012	46
Hongkong	1964	2011	47

South Korea	1968	2016	48
Taiwan	1963	2014	51
Indonesia	1973	2025	52
Malasiya	1966	2021	55
Japan	1930-34	1992	59.5
Nepal	1992	2047	55
Philippiens	1966	2055	89
World	1977	2041	64

Source: Amin et.al [14].

There is a limited time frame known as the "demographic window of opportunity," which is created by demographic shifts, during which nations may benefit from a demographic dividend. Even though Nepal is predicted to age quickly, it will likely stay relatively young for a number of years. An increase in the proportion of working-age people compared to dependents could promote economic growth as Nepal goes through a demographic transition. However, in order to effectively improve economic prospects, attaining this demographic dividend necessitates strategic investments in savings and human capital [15].

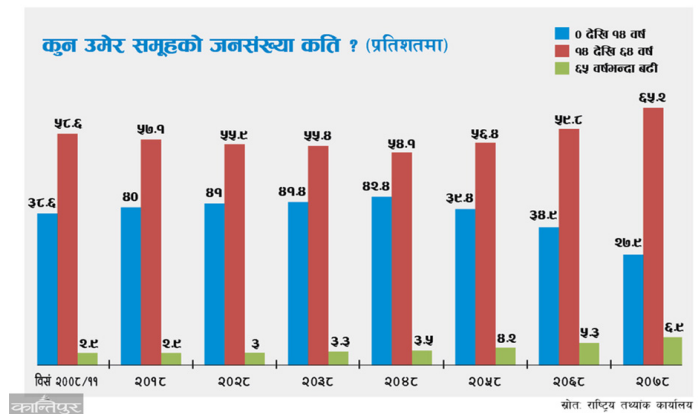
Situation of Demographic Dividend in Nepal

According to the Population Council, Nepal's demographic window of opportunity is estimated to last for 55 years, beginning around 1992 and ending in 2047. About 62% of the population is of working age (15–59 years), which is 65% by international standards, according to the 2021 census. Due to increased production and nation-building projects, this sizable working-age population is thought to have the potential to propel rapid economic growth [16].

The 'demographic dividend' refers to potential economic growth that may arise from shifts in the age distribution of the population, classifying people under 15 and over 65 as inactive and those between 15 and 64 as active. Economic progress and higher living standards may be observed in nations with decreasing birth rates and an increasing working-age population. After starting in 2074, Nepal is expected to enter its demographic dividend phase in 2076–20108, with a dependency ratio of 53.3 in 2078 expected to approach 60 by that time [17].

Nepal has a demographic dividend due to its youthful population, which made up 65.3% of the working-age population (15–64) and 42.5% of the 16–40 age group in 2021. However, issues like mass migration, poor education, and a lack of job creation run the risk of making this potential a demographic burden. Even though the dependency ratio decreased from 74.4% in 2011 to 61.3% in 2021, social change must be made immediately to prevent unemployment and social unrest. The issue is highlighted by the increase in foreign job seekers, with over 800,000 Nepalis looking for work overseas in 2024–2025. Harnessing this demographic opportunity requires significant investment in both industry and education, particularly when compared to countries such as South Korea, which successfully industrialized during a similar period and significantly increased per capita income [18].

The figure shows how the age distribution of Nepal's population changed between 1952–1954 and 2021. It shows notable changes that indicate a demographic transition that produced a demographic dividend.



The 2021 census highlights that more than 66% of Nepal's population lives in cities and that working-age people are becoming more interested in working

abroad, the country's workforce is crucial, according to the 2021 census. Government action is required to address issues associated with demographic shifts, such as changing age distributions and cultural prejudices that prevent young people from obtaining employment. Although economic opportunities are suggested by urban migration and aspirations for foreign employment, policies are necessary to maximize this demographic's potential in the face of slow growth and difficulties creating jobs.

Situation of Employment in the Context of Nepal

The Constitution of Nepal 2015 upholds the right of citizens to work and encourages the growth of a skilled labor force, which is essential for both social and economic advancement. In order to empower young people through improved education and employment, it guarantees social security and fundamental work rights. However, ineffective labor use is impeded by policy gaps, leading to low productivity and economic instability. By 2030, Nepal hopes to achieve Goal 8 of the Sustainable Development Goals, which is dedicated to sustained economic growth and decent work for all. To support national development, the report recommends a thorough examination of the labor force and economic activity in order to plan human resources effectively [19].

According to Nepal's 16th periodic plan (2024–2029), social justice and structural change depend on employment. The plan's main objectives are to improve production competitiveness, foster sustainable employment and human capital development, and establish a robust macroeconomic environment. Though the 12-month reference period used creates methodological limitations for comparisons with labor force surveys and international census data, the National Population and Housing Census (NPHC) 2021 provides insights into economic activity and labor force status.

Nepal Labour Market Status

Nepal's 2021 labor market data indicates a population of 29.1 million, with 23.9 million aged 10 and above. Out of these, 15.7 million (65.5%) are economically active, comprised of 10.2 million employed, 0.76 million unemployed, and 4.6 million not usually active. The labor force participation rate (LFPR) is 65.5% overall, with males at 71.2% and females

at 60.2%. Geographically, Bagmati province holds the largest EAP at 3.4 million, while Karnali has the smallest at 0.95 million. LFPR peaks in the 40–44 age group (85.1%) and varies regionally, with Karnali at 71.7% and Madhesh at 57.2%. Urban areas have an LFPR of 58.0%, compared to 74.0% in rural areas, and participation also varies by age and education level [19].

Status in Employment

Employment status in Nepal shows that there are 4.2 million workers (28.6%), 0.2 million employers (1.4%), 8.2 million self-employed people (55.3%), and 2.1 million contributing family members (14.5%). A large portion of family members and own account workers are employed in unorganized sectors and do not have social security or a job. According to the ILO, 10.4 million people, or 69.9% of the labor force, are vulnerable, with women being more likely to be affected. Elderly people in Karnali province (84%), those living in rural areas (84.8%), the uneducated (76.5%), and those in the lowest wealth quintile (78.8%) are especially vulnerable due to factors such as age, sex, marital and migration status, type of residence, and ecological zones.

Unemployment

In Nepal, the average unemployment rate is 4.9%, with a higher rate of 5.1% for those between the ages of 15 and 64, affecting 767,658 people. Youth unemployment is especially high, at 9.3% for those aged 20 to 24, 7.6% for those aged 15 to 19, and 6.7% for those aged 25 to 29. Unemployment is higher among educated people, underscoring the problem of educated unemployment. Urban unemployment is 5.6%, while rural unemployment is 4.1%. Several socioeconomic factors are at work, according to logistic regression, but education does not consistently show a strong correlation. Old age (11.8%), household chores (28.0%), and studying (48.5%) are the main excuses for not entering the workforce [19].

In Nepal, unemployment increased from 11.4% in 2017–2018 to 12.6% in 2022–2023, while underemployment affects 22.7% of the workforce, primarily those between the ages of 15 and 24. During the same time period, remittances made up 23.0% of GDP, which encouraged many young people to look for work overseas. Nepal needs to increase job creation in emerging industries in order to retain

talent and promote economic growth. Nevertheless, social norms and discrimination prevent women from entering the workforce, endangering the

demographic dividend in the absence of sufficient employment opportunities [20]. The table shows the employment status in the context of Nepal.

Percentage distribution of population aged 10 years and above by economic activity status, Province, NPHC 2021

Sex	Economically active			Not econom- ically active	Economic activity not stated	Total pop- ulation 10 years and above
	Usually active		Not usually active			
	Employed	Unemployed				
Nepal						
Male	52.5	3.5	15.2	28.6	0.2	11,519,621
Female	34.0	2.9	23.3	39.5	0.3	12,439,247
Both sexes	42.9	3.2	19.4	34.3	0.2	23,958,868
Koshi						
Male	58.4	2.9	15.1	23.5	0.1	1,987,135
Female	40.3	2.5	23.2	33.9	0.1	2,139,959
Both sexes	49.0	2.7	19.3	28.9	0.1	4,127,094
Madhesh						
Male	49.5	3.4	14.4	32.7	0.1	2,355,108
Female	20.3	2.9	24.4	52.4	0.1	2,414,905
Both sexes	34.7	3.1	19.4	42.7	0.1	4,770,013
Bagmati						
Male	55.2	3.1	12.3	29.3	0.1	2,595,088
Female	36.7	2.7	19.6	41.0	0.1	2,665,603
Both sexes	45.8	2.9	16.0	35.2	0.1	5,260,691
Gandaki						
Male	49.8	4.0	15.1	30.0	1.1	973,399
Female	38.2	3.1	21.7	35.8	1.3	1,122,075
Both sexes	43.6	3.5	18.6	33.1	1.2	2,095,474
Lumbini						
Male	50.7	4.0	16.4	28.6	0.3	1,963,780
Female	32.6	3.3	25.1	38.7	0.3	2,220,519
Both sexes	41.1	3.6	21.0	34.0	0.3	4,184,299
Karnali						
Male	50.4	4.2	18.7	26.3	0.4	641,858
Female	42.4	3.4	24.4	29.4	0.5	696,035
Both sexes	46.2	3.8	21.7	27.9	0.5	1,337,893
Sudur-Pashchim						
Male	47.8	4.1	20.4	27.6	0.1	1,003,253
Female	38.1	3.4	27.2	31.2	0.2	1,180,151
Both sexes	42.6	3.7	24.1	29.5	0.1	2,183,404

Source: National Statistics Office. 2025. Labour Force and Economic Activities in Nepal. Kathmandu: National Statistics Office.

The unemployment rate in Nepal increased significantly from 4.9% in 1995–1996 to 12.6% in 2022–2023 from 11.4% in 2017–18. At 22.7%, the youth unemployment rate (those between the ages of 15 and 24) is especially alarming and reflects continued difficulties in finding employment for this group. According to the survey, the overall employment rate decreased from 67.2% in 1995–1996 to 32.4% in 2022–2023, with 62.9% of people not being employed. While non-agricultural wage employment has grown significantly, agricultural wage employment has drastically decreased, falling from 70.7% to 1.9%. In addition to economic slowdowns and the aftereffects of the Covid-19 pandemic, experts point to political and policy uncertainty as major contributors to the inability to create jobs [20].

Policies for Demographic Dividends in Nepal

The National Population Policy 2015, the Fifteenth Plan (2019/20–2023/24), the National Education Policy 2019, the National Health Policy 2019, a number of employment-related policies and strategies, and the Sixteenth Plan of Nepal (2024/25–2029/30) are important policies that have contributed to Nepal's demographic dividend.

The National Population Policy 2015

The goal of Nepal's National Population Policy 2015 is to incorporate population management into development planning in order to capitalize on the demographic dividend. It addresses migration and defends the rights of migrant workers while emphasizing balanced population growth, high-quality education, youth employment, and reproductive health. Along with promoting gender equality and addressing regional disparities, the policy also gets ready for future demographic changes. Although it takes a holistic approach, implementation still faces obstacles because of a lack of institutional capacity and resources, so for it to continue to be effective, ministries must coordinate and be in line with the federal context [21].

Fifteenth Plan of Nepal (2019/20–2023/24)

The potential of the demographic dividend is acknowledged in Nepal's Fifteenth Plan (2019/20–2023/24), which also lays out plans for developing human capital through investments in healthcare and education, job and entrepreneurship programs,

and economic expansion. Programs for young people, gender equality, social inclusion, migration control, social security expansion, technology adoption, and governance improvement are also among its main concerns. But implementation is hampered by problems like poor execution, a lack of resources, problems with coordination, and susceptibility to outside shocks. Concerns exist about the private sector's involvement, skill gaps, and the transformation of improvements in education and health into real-world advantages. Realizing the demographic dividend requires addressing the expanding workforce's employment needs while lowering youth migration for jobs abroad. This calls for comprehensive and well-executed policies in the face of shifting circumstances [22].

National Education Policy 2019

Nepal's National Education Policy 2019 provides a thorough plan for adjusting the educational system to accommodate the demographic dividend of the nation. With the goal of developing a skilled labor force for economic expansion, it advocates for a comprehensive educational approach that integrates academic knowledge, real-world skills, and moral education. Enhancing education quality, prioritizing teacher preparation, developing curricula, and providing vocational training—especially in STEM and ICT fields—are important areas of focus in order to increase employability. In addition to promoting research and innovation in higher education, the policy supports marginalized groups and promotes inclusive education and lifelong learning. Despite its lofty objectives, implementation is hampered by issues like poor infrastructure, a teacher shortage, and the digital divide. Success requires greater alignment between education and labor market demands as well as increased investment in education, especially in rural areas. Furthermore, the policy guarantees that educational initiatives support sustainable development by being in line with the Sustainable Development Goals [23].

National Health Policy for 2019

The National Health Policy 2019 of Nepal advocates for universal health coverage, reproductive health, and adolescent health in order to capitalize on the nation's demographic dividend. Non-communicable diseases, mental health, and nutrition are all covered, with a focus on promoting, educating, and strengthening the health system. The National Family Planning

Policy, which improves reproductive autonomy and controls population growth, and the National Adolescent Health and Development Strategy, which prepares youth for the workforce, are important complementary policies. The Nepal Health Sector Strategy also supports objectives for the provision of fair healthcare services. To maximize Nepal's demographic potential, effective implementation requires resource allocation and coordination with economic and educational policies [24].

Employment Related Policies and Strategy Frameworks

The National Employment Policy 2071 (2014) is the main driver of Nepal's employment policy, which seeks to establish respectable and nondiscriminatory employment opportunities. It places a strong emphasis on social protection, skill development, economic growth, and entrepreneurship. Complementary laws, like the Labour Act 2074 (2017), support workers in the unorganized sector and establish minimum wage and safety requirements. The National Youth Policy 2072 (2015) emphasizes youth skills and participation, while the Prime Minister Employment Programme (PMEP) 2018 provides job guarantees for at least 100 days. Still, there are issues like high unemployment and skill gaps, especially among young people, as well as a robust unorganized sector and a dependence on foreign work. There are opportunities in the growing service industries like IT and tourism, the younger population, and vocational education. In response to the COVID-19 pandemic, local job creation and work trend adaptation initiatives have been redoubled. In general, utilizing Nepal's demographic dividend and attaining sustainable economic growth depend on the efficient execution of these policies and sectoral cooperation [25].

The Sixteenth Plan of Nepal 2024–2025–2029–2030 The country's demographic dividend—67% of the population is of working age—is the main focus of Nepal's 16th Plan (2024–25–2029–30). It places a strong emphasis on promoting coordinated governance, raising labor productivity, and developing human resources. An urbanization strategy to channel growth, maximizing resource utilization, encouraging innovation and entrepreneurship, and methodical migration management are important tactics. The plan emphasizes how important it is

for stakeholders to share accountability and manage the population holistically. Putting these policies into practice successfully is essential to turning Nepal's demographic advantage into long-term, steady economic growth [26].

Discussion

A large working-age population is a temporary phenomenon known as the "demographic dividend," which increases productivity while lowering the dependency ratio associated with childcare and eldercare. As the population ages, there will be more elderly people to support, increasing the dependency ratio as the demographic transition continues. As the proportion of children under 15 and seniors over 65 declines during this advantageous time, a larger proportion of the working-age population relative to the overall population is the demographic gift [27].

The rate and timing of demographic change vary from nation to nation. Regions such as Asia, Latin America, and Africa started this transition later than developed nations and are still making progress. In particular, low life expectancy, high fertility rates, and sluggish mortality declines are observed in Sub-Saharan Africa (SSA). The three main mechanisms for attaining a demographic dividend—human capital, labor supply, and savings—are determined by education, social norms, and the policy environment, according to Bloom [28]. Investment in human capital is greatly impacted by the demographic shift, with outcomes that may be significant but less obvious [28].

According to Amin et al. [14], Nepal is presently experiencing a demographic dividend phase with a 55-year window of opportunity. But after 25 years, the nation has not made any significant progress, primarily as a result of young people fleeing to Middle Eastern nations due to political unrest, poverty, and ineffective policies. Nepal requires strong institutions, investment incentives, and human and economic development plans in order to prevent a demographic burden. In order to capitalize on this demographic dividend, Nepali authorities must swiftly create suitable social and economic policies, taking a cue from East Asia's achievements.

Due to high rates of youth unemployment and low labor force participation, Nepal runs the risk of losing its demographic advantage and turning its youthful

population into a financial burden. Economic prospects are poor, with less than 40% of the labor force employed and a 12.7% youth unemployment rate. A life-cycle deficit of about Rs 1,500 billion is highlighted in the National Transfer Accounts report, and many people are dependent on the income of others. Only those between the ages of 27 and 46 make more money than they spend, which suggests that the economic model is unsustainable. Joblessness and low youth engagement stifle potential growth and productivity, even though 65% of the population is of working age.

Current Challenges

Nepal is experiencing a significant demographic transition, as evidenced by a high working-age population (65.2% as of the 2021 Census) and a declining dependency ratio, implying a potential "demographic dividend" that could last until around 2051. However, this opportunity is at risk of becoming a "demographic burden" due to significant employment challenges, such as youth unemployment rates above 20% and significant outward labour migration.

Youth unemployment and underemployment remain high, with an overall unemployment rate of about 10.71% and youth unemployment (ages 15-24) of around 20.82% in 2024. The informal sector employs more than 84% of the workforce, with the majority of jobs being low-productivity. Furthermore, more than one-third of youths in this age group are classified as NEET (not in education, employment, or training), which is especially common in the Madhesh and Karnali provinces [29].

Massive labor migration from Nepal is driven by a lack of local opportunities, with over 741,000 young Nepalis leaving for foreign jobs in FY 2022/23 and an additional 200,000 in the first quarter of FY 2025/26. Remittances account for more than 25% of GDP, but they fuel a consumption-oriented economy, resulting in a Rs 1,500 billion life-cycle deficit. There is a significant skills mismatch between education and market demands, which results in high unemployment despite a skilled labor shortage. Female labor force participation is low (35.5%), hampered by socio-cultural barriers. Industrial growth is limited, unable to absorb the required 6.5 million new jobs, and hampered by a poor investment climate.

Demographic shifts predict that the elderly population will grow to 15% by 2051, increasing fiscal strain. Political unrest and protests stifle economic growth and exacerbate urban migration issues. Addressing job creation and youth skill development is critical for avoiding a demographic burden and ensuring long-term prosperity [30].

Conclusion

The country is approaching a demographic bonus due to declining fertility and child mortality, a declining dependency ratio, an increase in life expectancy, and a peak in working-age and youth populations, the nation is on the verge of a demographic bonus. If backed by sensible public policy, this offers a chance for economic expansion. Policymakers should take social protection and political viability into account while optimizing the advantages of labor productivity and market operation. Effective policies are required to utilize the large youth demographic that results from low birth and death rates. According to Bloom, Canning, and Sevilla (2002), education, public health, and flexible economic policies are all important. Nepal does, however, face difficulties such as high unemployment, subpar healthcare, and insufficient educational opportunities. By investing in health, education, and remittances, policies that capitalize on the demographic dividend must be prioritized in order to boost economic growth and possibly create a second demographic dividend.

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