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ANALYSIS OF THE CURRENT STATE OF UNEMPLOYMENT IN SOCIETY

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ABSTRACT

The aim of this study is to examine the current unemployment situation in Mongolian society and assess its effects on social security. By 2024, the unemployment rate in Mongolia had reached 5.2%, negatively impacting social stability and serving as a key obstacle to economic growth.

The research drew on data from the National Statistics Committee, research materials, and the findings of the labor market demand barometer survey. Employing a systems approach methodology, the study analyzed unemployment and identified its challenges and implications for social security.

Findings revealed that out of Mongolia's 2.1 million individuals aged 15 and above, 1.2 million are part of the labor force, while 877,000 are not. Women make up 54.5% of registered unemployed individuals, with men comprising 45.5%. Notably, the unemployment rate is higher among young people aged 15-24 compared to other age brackets.

The primary factors contributing to unemployment include skill mismatches, challenges in transitioning from education to employment, systemic issues, and a lack of needs-based approaches. Additionally, issues such as labor market imbalances, low wages, and a significant rate of informal employment (24.3%) further exacerbate the problem.

Unemployment leads to adverse outcomes like decreased income, poverty, social exclusion, crime, and emotional strain, impacting social security directly. The research suggests the necessity of implementing holistic strategies to address unemployment and boost employment rates.

KEYWORDS

Unemployment, Social Security, Employment, Labor Market, Youth Unemployment, Economic Policy

CITATION

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Introduction.

In recent years, the unemployment rate in Mongolia has risen to 5.2% in 2024, impacting social stability and hindering economic growth. Unemployment has direct effects on both the economy and social well-being, leading to decreased income, poverty, social exclusion, crime, emotional stress, and depression. Therefore, lowering the unemployment rate is crucial for maintaining social security and improving the quality of life for citizens.

Economic policies aimed at increasing employment are crucial in reducing unemployment.¹

The analysis of the impact of unemployment on social security was conducted using the security research system approach, which involved the following methodology:

1. Analyzing the current situation of unemployment in society and identifying the pressing problems and their impact on social security.
2. Studying the policies, programs, and legal regulations that have been implemented in the past to understand the reasons for the current pressing problems.

¹ Tsedendagva, G. (2003). *Economics*. UB.

The analysis of the current situation of unemployment in society was based on reports and basic research materials from the National Statistics Committee to identify the pressing problems.

There are more than 2.1 million individuals aged 15 and above in Mongolia who are of working age. Among them, 1.2 million are part of the labor force, while 877 thousand are not participating in the labor force. This data is illustrated in Figure 1.

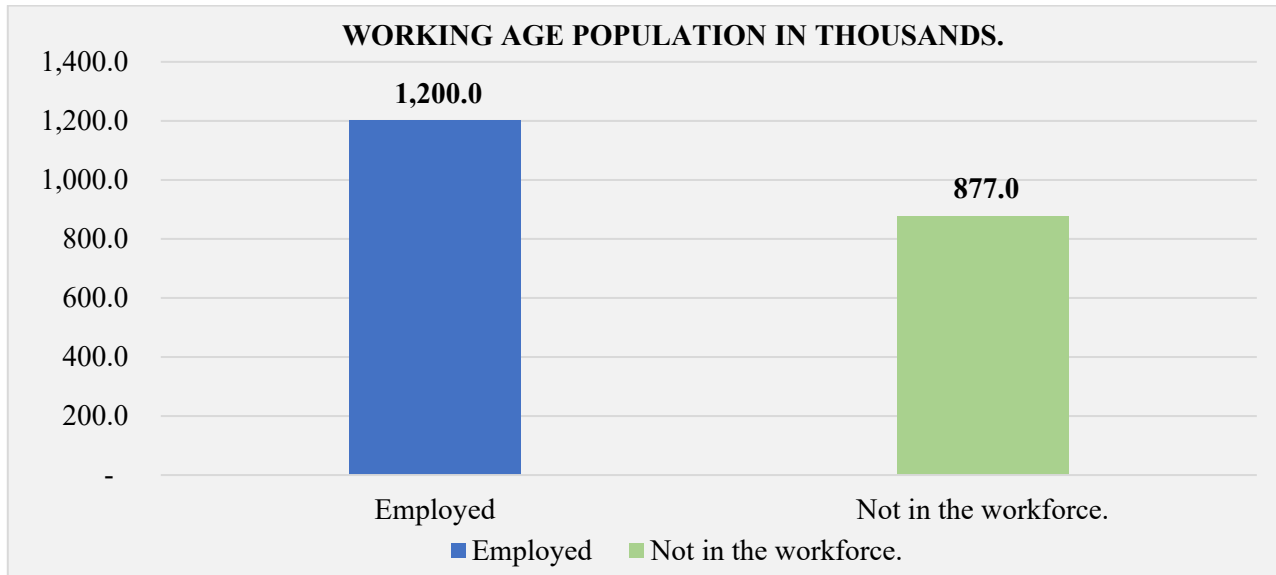


Fig. 1. Survey conducted on individuals aged 15 and above who are part of the working age population in Mongolia.

Figure 2 displays a breakdown of the educational attainment of unemployed individuals registered in our nation.

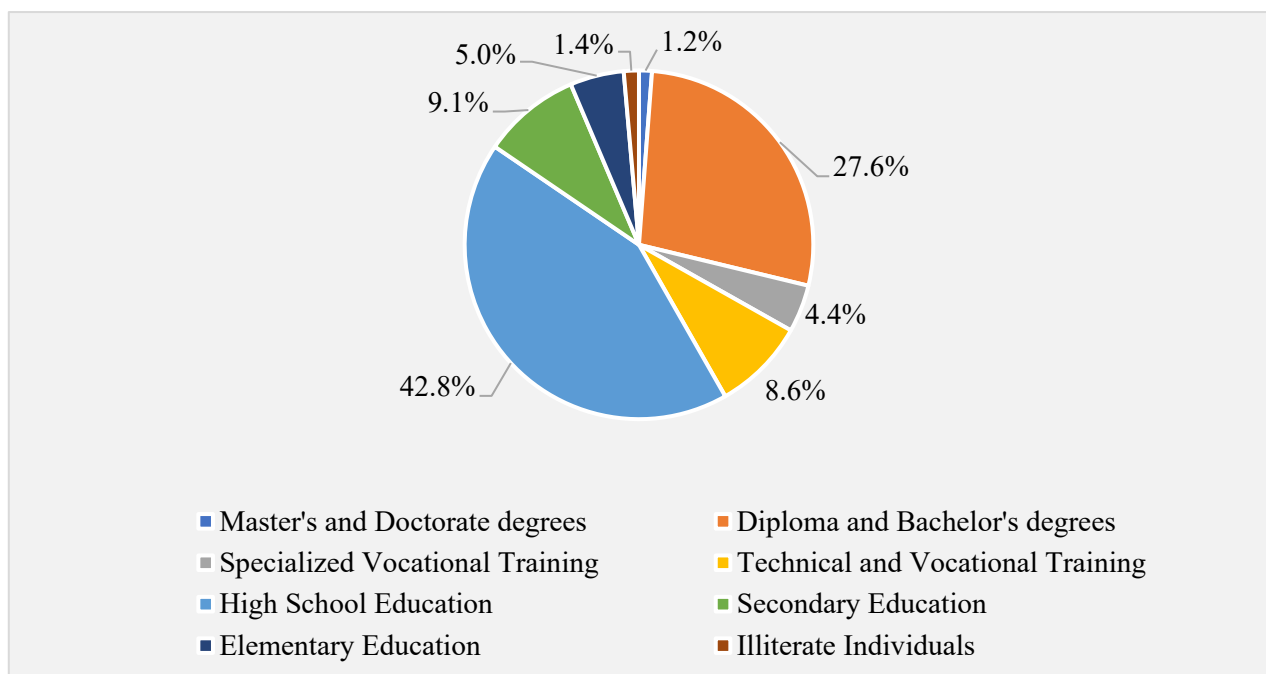
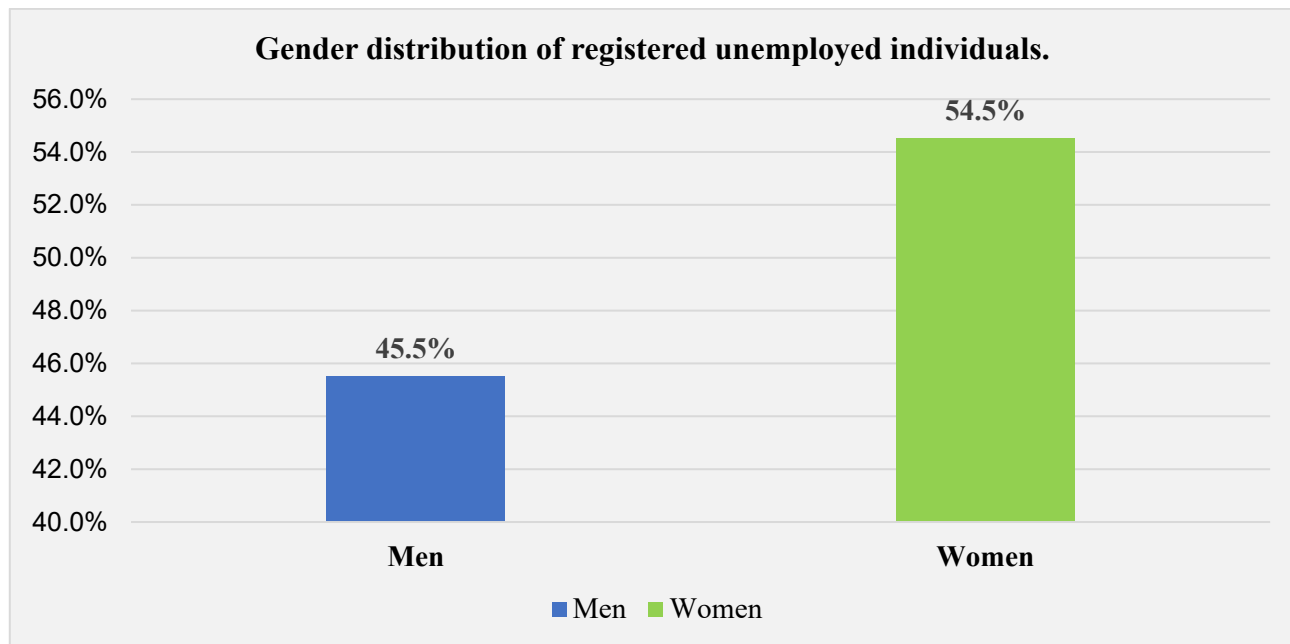


Fig. 2. Education level of unemployed individuals who are registered.

In the provided data, it is shown that 1.2 percent of the registered unemployed individuals hold master's or doctoral degrees, 27.6 percent have diploma or bachelor's degrees, 4.4 percent have specialized secondary

education, 8.6 percent have technical or vocational education, 42.8 percent have completed secondary education, 9.1 percent have basic education, 5.0 percent have primary education, and 1.4 percent have no education. Furthermore, 54.5 percent of the total registered unemployed individuals are women, while 45.5 percent are men.



Despite the increase in the level of education among the general population in recent years, the employment situation has not improved. The latest survey shows that the number of unemployed people registered with the Labor and Welfare Service Departments and Departments of the provinces and districts has increased.

According to the National Statistics Committee, there are 84.7 thousand “unemployed people” nationwide who are not working, looking for work, or are ready to work. There are also 8.8 thousand “part-time workers” who are employed but looking for additional wages and income and want to work overtime.

Furthermore, there are 44.9 thousand “potential labor force” people who are not classified as “employees” or “unemployed” and are looking for work but are currently unable to find work or are not looking for work but are able to work.

Labor force participation is low for women, urban residents, and people with secondary education. In addition, the transition to the labor market is difficult for young people, especially those with low levels of education. The unemployment rate is also high for young people with higher education.

The unemployment rate is higher among youth aged 15-24 who are actively seeking work compared to other age groups. Nationally, there are 37,000 unemployed individuals in this age group, making up 29.2 percent of the total unemployed population. Figure 3 displays the findings of the study on the reasons for unemployment.

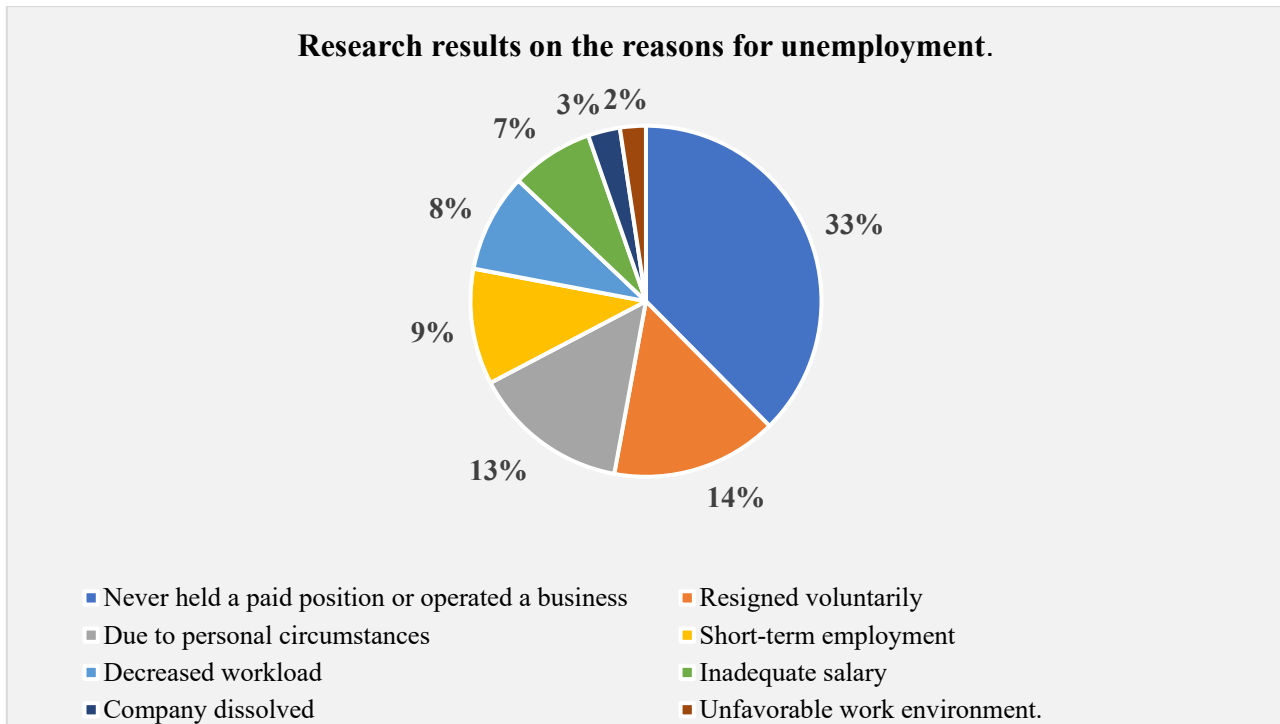


Fig. 3. Research results on the reasons for unemployment.

The survey results show that the majority of unemployed individuals (33.1%) had never held a paid job or business before, while 13.5% left work voluntarily and 12.7% were unemployed due to personal or family reasons. Other reasons for unemployment included temporary employment (9.4%), layoffs (8.0%), inadequate wages (6.7%), organization liquidation (2.6%), and unsuitable working conditions (2.1%).

Furthermore, 87.5% of individuals not in the labor force expressed a lack of interest in starting a business. Nearly half of them relied on pension income from family members, while 48.7% depended on social welfare benefits and pensions as their primary source of income.

Figure 4 displays the results of a survey on Mongolia's unemployment rate.

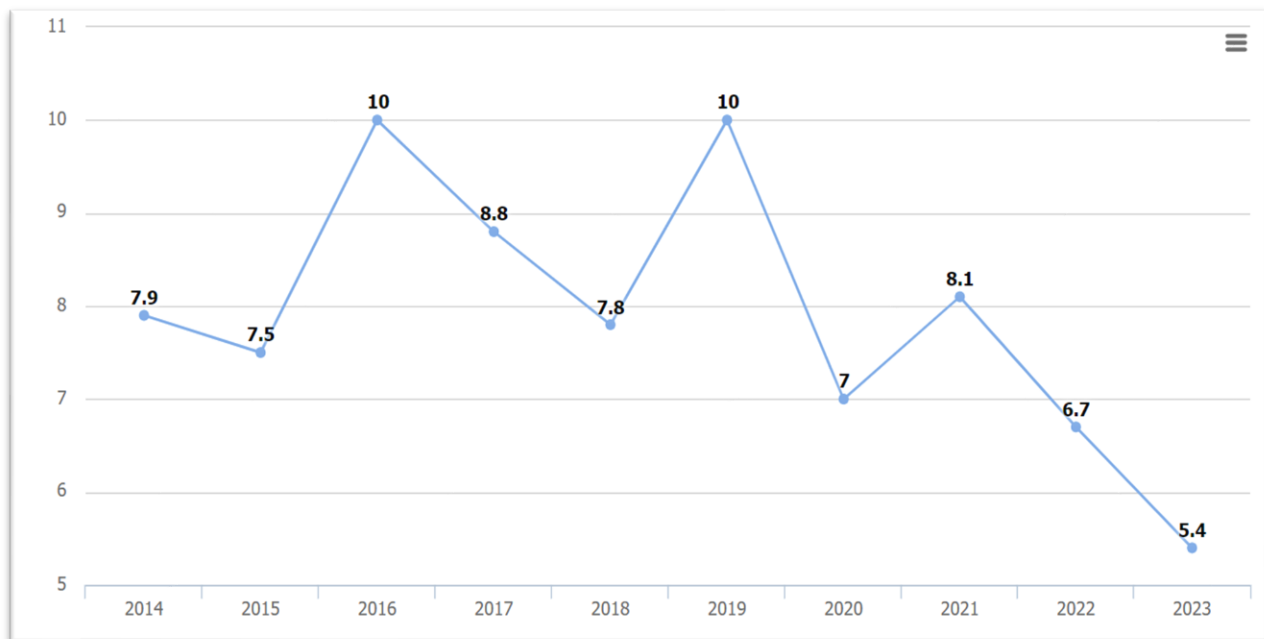


Fig. 4. The unemployment rate in Mongolia from 2014 to 2024.

One way to assess gender equality in the workforce is by looking at the proportion of women in management roles, as outlined in SDG 5. Across the country, there are a total of 58.3 thousand individuals working in management positions. Of these, 23.3 thousand (40.0%) are women and 35.0 thousand (60.0%) are men.

In the non-agricultural sector, 24.3% of workers are employed informally. Having a wage or salary job does not always equate to having decent work, as factors like low household income and job scarcity can push individuals into informal employment with inadequate conditions such as low pay and lack of social protections.

One of the indicators for Goal 8 of the Sustainable Development Goals, which aims to promote sustained and inclusive economic growth, full and productive employment, and decent work, is the proportion of informal workers in the non-agricultural sector as a percentage of total employment (8.3.1). In the non-agricultural sector, 178.1 thousand or 24.3 percent of workers are informal workers nationwide.

The gender pay gap stands at 20.6 percent, indicating a disparity in average hourly wages between men and women. This is monitored through the indicator "8.5.1. Average hourly wage of workers, in tugriks, by gender" under Goal 8. The average hourly wage for male workers nationwide is 6.4 thousand tugriks, while for female workers, it is 5.1 thousand tugriks.

The data above highlights the challenges faced by the Mongolian labor market, including a decrease in labor force participation, unemployment, informal employment, gender inequality, and youth unemployment. Providing stable, decent, and productive employment opportunities for both employed and soon-to-be-entering young individuals is crucial. The main reasons for citizens not working are typically low wages and skills mismatch. Mongolia has 70-80 thousand unemployed citizens, yet 30-40 thousand new job openings remain unfilled due to low wages. This results in a lack of interest from potential workers in these positions.¹

The Labor Market Demand Barometer Survey is a valuable tool for education and employment policymakers in Mongolia as it provides insights into short-term labor market demand. The survey covers businesses and organizations in 9 districts and 21 provinces of Ulaanbaatar city, with the results used to estimate labor demand for 2024. The sample population consisted of 68.0 percent from Ulaanbaatar city and 32.0 percent from the 21 provinces. This year, positive outcomes are anticipated in terms of employers' expectations and labor market policies.

In 2024, there will be a nationwide demand for 95.3 thousand jobs, representing a 12.7 percent increase compared to the previous year's survey. This growth trend in the labor market is expected to continue and is the highest recorded in the past decade. There is a projected employment growth of 5.1 percent based on new labor demand data.

The sectors with the highest demand for labor in 2024 are wholesale and retail trade, construction, and manufacturing. The wholesale and retail trade sector is expected to account for 31.3 percent of the total annual demand, creating 29.8 thousand jobs, a 35.5 percent increase from the previous year's figures.

The construction sector is projected to create 15.3 thousand jobs, representing 16.0 percent of the total demand, a 14.9 percent increase from the previous year. The manufacturing sector is expected to generate 14.0 thousand jobs, accounting for 14.7 percent of the total demand, a 47.6 percent increase. In 2024, 29.6 percent of the total labor demand is anticipated to be met locally, with 65.2 percent of these being new positions, indicating potential growth in the local labor market.

When considering labor demand by occupational classification, specialists account for 23.5 percent, simple occupations for 21.3 percent, production, construction, crafts, related work, and service workers for 17.2 percent, and trade and service workers for 11.1 percent, totaling 73.1 percent of the total demand. The share of demand for trade and service workers and general occupations has increased compared to the previous year, while the share for specialists has decreased.

Employers have hired 79.2 thousand individuals and created job opportunities in the past year, but 100.2 thousand employees have left their jobs for various reasons during the same period.

Every Mongolian desires to secure employment with competitive wages. Presently, the mining, information technology, and banking and finance industries offer the highest salaries, indicating their high productivity levels. The minimum wage in Mongolia is approximately one US dollar per hour, significantly lower than the global average of 20-30 US dollars per hour. To enhance future wage levels, it is imperative to boost productivity across all sectors. Innovation plays a crucial role in driving productivity growth. Nations worldwide prioritize maintaining high levels of productivity to sustain economic development, addressing factors such as education and employment systems.

¹ Enkh-Amgalan, L. (2024, December 17). *Interview with Minister of Family, Labor, and Social Protection*. Itoim.mn. <https://itoim.mn/a/2024/12/17/society/umnm>

Inconsistency or inadequacy in the skills of a professional employee.

The insufficient skills of young people, particularly recent graduates, and their mismatch with employer needs, as well as the inadequacy of their skills across various economic sectors and professions, hinder their job prospects and are a pressing concern for their employment.

Skills encompass professional expertise, foreign language proficiency, and other soft skills essential for employment. In Mongolia, over half of recent graduates fail to meet employer requirements upon entering the workforce. Despite widespread acknowledgment of the lack of employment skills among young people, the absence of a shared understanding and clear information on this issue in Mongolia exacerbates the problem. There is a pressing need to establish and disseminate a common understanding and information on the skills employers expect from employees, their significance, the specific requirements of different professions and industries, and the importance of these skills.

Challenges in the shift from education to the workforce.

Educational institutions at all levels play a crucial role in preparing a skilled workforce in the country. In our nation, there is a growing number of young individuals pursuing higher education, with approximately 70 percent of secondary education graduates enrolling in universities and colleges each year. Additionally, around 30 thousand young people graduate from higher education institutions and enter the workforce annually. However, challenges such as the lack of coordination and collaboration between the higher education sector, employers, and the private sector, the indiscriminate admission of specialists not aligned with Mongolia's economic needs, inadequate scope and quality standards in higher education, insufficient provision of essential soft skills for employment, and the content and quality of training have resulted in unfavorable employment prospects for graduates.

Similarly, vocational education institutions are not adequately preparing students for employment in their respective fields, as they are failing to produce skilled workers who meet the demands of the labor market. Only around 20 percent of 9th grade students and approximately 10 percent of 12th grade graduates enroll in vocational education institutions each year, highlighting the ongoing issue of insufficient enrollment. This has resulted in a shortage of qualified workers needed in the Mongolian labor market. Furthermore, there are challenges such as inadequate education content and quality, a lack of emphasis on developing essential soft skills alongside technical skills, a shortage of teaching staff, and a lack of quality assurance measures in place.

The practical training and experience provided to students by educational institutions are also lacking.

Another contributing factor to the skills gap among young graduates is the absence of internship programs, on-the-job training opportunities, and access to training materials and equipment that offer students practical experience while they are still in school. This issue is exacerbated by the lack of collaboration and communication between educational institutions and employers in the labor market.

Students lack sufficient information to make informed decisions about their major and future career path. Furthermore, the shortage of resources, programs, and faculty in educational institutions at all levels leads students to select majors that may not be in high demand or are oversaturated in the job market. As a result, students often choose schools and majors based solely on their entrance exam scores, limiting their potential for future employment opportunities.

Vocational and higher education institutions are failing to offer adequate guidance and support to young graduates as they navigate their future employment prospects. Consequently, the employment rate for graduates stands at approximately 70 percent, with over half of them spending six months or longer searching for job opportunities.

In the labor market, young individuals have the choice between paid employment and self-employment. Global experience indicates that promoting self-employment and startups can help decrease youth unemployment and economic inactivity, as well as prevent poverty and skill deterioration in the long run. Mongolian youth currently lack the entrepreneurial mindset, knowledge, and skills needed to initiate and sustain such ventures, which are not adequately addressed in the education system. According to the labor force survey, only 1.3 percent of employed youth aged 15-29 are employers or entrepreneurs, and there is a lack of research data on the interest of young people in starting their own businesses.

Additionally, there is a lack of a supportive and financing system for entrepreneurs across various economic sectors, and young individuals' apprehension towards risk-taking, lack of confidence, social status, and limited networks hinder their pursuit of self-employment.

The system issues

The lack of adequate participation from key stakeholders is a result of their limited resources and capacities, as well as unclear responsibilities. Despite the importance of government services and initiatives in addressing youth unemployment and economic inactivity, promoting employment, and bridging the gap between labor market demand and supply, they are hindered by challenges such as coordination issues among state employment agencies, insufficient financial and human resources, heavy staff workloads, instability, and capacity constraints.

Government services are failing to adequately inform job seekers and young people about job opportunities, effective job search strategies, and the skills required in the labor market. As a result, young individuals often waste time seeking information from informal sources, family, and friends. A key challenge in the Mongolian labor market is accurately predicting future demand and requirements.

Absence of a methodology that is focused on the needs of individuals

It is crucial to offer more assistance to unemployed, underemployed, and economically inactive youth.

These young people face various challenges, including lack of education and skills, as well as other socio-economic and psychosocial issues. Therefore, they require personalized support that goes beyond just employment assistance. Many disadvantaged youth, including those with disabilities, facing gender inequality, and experiencing economic hardship, need additional support to help them secure employment. It is crucial to offer more assistance to unemployed, underemployed, and economically inactive youth.

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Despite facing numerous challenges such as societal attitudes, limited family support, lack of infrastructure access, limited education and skills opportunities, unprepared employers, and inadequate government support, the majority of these young individuals are economically inactive and reliant on welfare. Although promoting self-employment is a positive step towards boosting employment for individuals with disabilities, there are still obstacles to overcome, including insufficient financing, limited market connections, and a lack of knowledge, skills, and guidance to effectively run their businesses.

Factors in the labor market

Mongolia's labor market is significantly influenced by its geography, climate, and economic structure. The challenging climate, remote locations, economic instability, urban migration, and limited job creation for the growing number of young workers have worsened employment issues. This has led to high levels of unemployment, seasonal work, informal employment, and precarious jobs with low pay and productivity. Small and medium-sized enterprises, which employ a large portion of the workforce, are struggling due to limited economic and human resources.

Employment is crucial for young people to gain valuable experience and skills in the workforce and to secure their future economic and social stability. However, the low wage levels in Mongolia mean that one out of every three employed young individuals earns below the subsistence level, highlighting that employment alone is not enough to lift youth out of poverty and ensure their well-being. Data from labor force surveys shows that a significant portion of employed young people aged 15-29 work in informal sectors such as agriculture, wholesale and retail trade, and construction. It is concerning that 80 percent of employed young individuals aged 15-19 and over 30 percent of those aged 20-29 are part of the informal workforce.

Insufficient understanding of labor relations and labor laws, along with unsecured and low-productivity employment, can result in various issues such as the inability to safeguard one's rights at work, vulnerability to labor exploitation, excessive overtime, non-payment of wages, and experiencing sexual and emotional harassment in the workplace.

Conclusions

Unemployment has a significant influence on both the economy and social welfare, leading to poverty, higher crime rates, and a decrease in living standards.

The research focused on unemployment data in Mongolia and revealed that the unemployment rate fluctuated notably between 2020 and 2024, with spikes and drops closely tied to economic downturns and pandemics. Specifically, unemployment surged during the pandemic, impacting social welfare adversely.

According to social security theory, international research has shown that unemployment contributes to social risks, has a detrimental effect on citizens' mental well-being, leads to an increase in crime rates, and destabilizes the social sector.

In Mongolia, unemployment negatively impacts security by heightening poverty levels, worsening income inequality, and lowering the living standards of vulnerable populations in society.

This study offers a thorough analysis of the current unemployment situation in Mongolia and its impact on social security. The unemployment rate is projected to reach 5.2% by 2024, posing a significant barrier to economic growth and potentially affecting social stability.

Out of the 2.1 million individuals aged 15 and above, 1.2 million are part of the labor force, while 877,000 are not. Women make up 54.5% of the registered unemployed, with men comprising 45.5%. Unemployment rates among individuals aged 15-24 are higher compared to other age groups, presenting a notable challenge to the country's future workforce.

Despite the rising educational attainment levels in the population, employment rates have not seen improvement, indicating a mismatch between education and the demands of the labor market.

Primary causes of unemployment:

1. Professionals trained by educational institutions lack the skills required by employers.
2. Challenges in transitioning from education to employment: Insufficient coordination between educational institutions and employers.
3. Systemic issues: Lack of coordination among public services, financial resources, and human resources.
4. Labor market imbalances: Informal employment stands at 24.3%, wages are low, and social protection is inadequate.

Negative consequences of unemployment include: Income reduction and poverty, social exclusion, rise in criminal activities, emotional stress and depression and deterioration of social stability.

Recommendations

Proposed solutions: Short-term actions: Improve skills development training programs, implement youth job creation initiatives, and expand vocational training and internship opportunities.

Long-term strategy: Align the education system with labor market demands, enhance labor market information systems, and support small and medium-sized enterprises through policies, boost productivity by fostering innovation.

Social protection measures: Strengthen the social assistance system for unemployed individuals, provide psychological support services, and offer specialized assistance to vulnerable groups.

Addressing unemployment is not just an economic issue but also crucial for social security and sustainable development. Collaboration among the government, private sector, and civil society organizations is essential in addressing this challenge. Mongolia's labor market challenges are similar to those faced globally, requiring a comprehensive and long-term approach to finding solutions.

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