

**DEPARTMENT OF ECONOMICS  
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**Economic Implications of Unemployment  
among Arts and Humanities Graduates: a  
systematic literature review**

**Authors:**

**H. Dilusha Indushanka Silva & Shashithanganee Weerawansa**

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# Economic Implications of Unemployment among Arts and Humanities Graduates: a Systematic Literature Review

H. Dilusha Indushanka Silva<sup>1</sup> and Shashithanganee Weerawansa<sup>2</sup>

<sup>1</sup>PhD Candidate, Department of Economics, University of Colombo

<sup>2</sup>Department of Economics, University of Colombo

Corresponding Author: H. Dilusha Indushanka Silva. [dilushahr@gmail.com](mailto:dilushahr@gmail.com)

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Authors emails	<a href="mailto:dilushahr@gmail.com">dilushahr@gmail.com</a> , <a href="mailto:sashi@econ.cmb.ac.lk">sashi@econ.cmb.ac.lk</a>
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## Abstract

*A systematic, PRISMA-guided literature review was conducted to examine recent research on economic implications of Arts and Humanities Graduates unemployment in developing countries. The search process covered five major academic databases (Scopus, ProQuest, ResearchGate, JSTOR, Google Scholar and SpringerLink) to ensure comprehensive coverage of both peer-reviewed publications between the year 2020 and year 2025. This period was considered as it captures the post COVID-19 labour market disruption and the most current evidence with regard to the macroeconomic implications of graduate unemployment. This study employed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020) framework to systematically review existing literature related to the above areas, with a specific focus on Arts and Humanities graduates. The objectives of the study are (1) to synthesize theoretical and empirical literature on unemployment among Arts and Humanities graduates; (2) to examine the extent and determinants of unemployment and skill–job mismatch among Arts and Humanities graduates in developing economies; (3) to analyze the economic implications of graduate unemployment on labour market efficiency and productivity; (4) to identify key research gaps and propose directions for future research and policy to improve graduate employability. The study identified five main macroeconomic consequences of Arts and Humanities graduate unemployment. These include (a) reduced GDP growth and labour productivity; (b) lower government revenue coupled with increased public expenditure; (c) weakened labour market efficiency; (d) rising income inequality and diminished human capital returns and; (e) declines in aggregate demand and individual consumption. Among the 39 studies reviewed, 19 examined skill-job mismatch as the primary driver of these macroeconomic inefficiencies, while 14 analyzed demographic characteristics and education level/ background for determining the unemployment, unemployment duration and income loss. All of these evidences demonstrate that graduate unemployment among Arts and Humanities Graduate requires integrated policy implications targeting both the supply side and demand side of the labour market.*

**Keywords:** Arts and Humanities Graduate unemployment, Skill-Job mismatch, Labour market Efficiency, Human Capital Returns, Economic Implications, Developing Economies

**JEL Classification** — J64, J24, I23, J21, O15, E24

## Foreword

The Department of Economics is pleased to present this Working Paper as part of its ongoing commitment to advancing rigorous, policy relevant research on contemporary economic challenges. In an era marked by rapid structural transformation, technological change, and post-pandemic recovery, understanding labour market dynamics particularly among educated youth remains a pressing priority for developing economies.

This study offers a timely and systematic synthesis of the economic implications of unemployment among Arts and Humanities graduates. Employing a PRISMA-guided methodology and drawing on a wide range of leading academic databases, the paper provides a comprehensive and methodologically robust review of recent literature published between 2020 and 2025. This period is especially significant, as it captures the far-reaching disruptions caused by the COVID-19 pandemic and their lasting effects on labour markets and graduate employability.

Beyond its empirical contributions, this Working Paper underscores the importance of adopting integrated policy approaches that address both supply-side and demand-side constraints within the labour market. It calls for renewed attention to curriculum relevance, skills development, and labour market alignment, while also emphasizing the need for broader structural reforms to stimulate job creation and enhance productivity.

We believe this study will serve as a valuable resource for academics, policymakers, and practitioners engaged in higher education planning, labour market policy, and economic development. The Department commends the authors for their scholarly contribution and encourages further research in this vital area.

I.W Rathnayake,

Department of Economics,  
Faculty of Arts,  
University of Colombo.

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**List of Abbreviations**

<b>AI</b>	Artificial Intelligence
<b>AIM(RaD)C</b>	Abstract, Introduction, Materials/Methods, Results, Discussion, and Conclusion (Research Framework)
<b>APTISI</b>	Association of Private Higher Education Institutions of Indonesia
<b>ATNVC</b>	Attitude Toward New Venture Creation
<b>GEI</b>	Graduate Entrepreneurial Intentions
<b>ICT</b>	Information and Communication Technology
<b>ILR</b>	ILR Review (Industrial and Labour Relations Review)
<b>JEL</b>	Journal of Economic Literature (Classification Codes)
<b>KWASU</b>	Kwara State University, Nigeria
<b>LLE</b>	Labour, Learning, and Employment
<b>METALS</b>	Media, Ethics, Technology, Arts, Literature, and Society
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>NCR</b>	National Capital Region (Delhi, India)
<b>OBE</b>	Outcome-Based Education
<b>OLS</b>	Ordinary Least Squares
<b>PRISMA</b>	Preferred Reporting Items for Systematic Reviews and Meta-Analyses
<b>PROSPERO</b>	International Prospective Register of Systematic Reviews
<b>SEDME</b>	Small Enterprises Development, Management & Extension Journal
<b>SLR</b>	Systematic Literature Review
<b>SSRN</b>	Social Science Research Network
<b>STEAM</b>	Science, Technology, Engineering, Arts, and Mathematics
<b>STEM</b>	Science, Technology, Engineering, and Mathematics
<b>TFC</b>	Total Factor Costs
<b>UK</b>	United Kingdom
<b>US</b>	United States
<b>WIL</b>	Work-Integrated Learning

# **Economic Implications of Unemployment among Arts and Humanities Graduates: a Systematic Literature Review**

H. Dilusha Indushanka Silva, Shashithanganee Weerawansa

## **1. Introduction**

The unemployment among arts and humanities graduates has been a significant phenomenon in many countries in the world including Sri Lanka, which has received intense attention from policymakers at the universities that produce these graduates in recent times (Bopagamage & Bopagamage, 2024; Gunaratne & Jayasinghe, 2021). Overall unemployment remained at 5.1% while the youth unemployment rate remained at 23.3% as per the Labor Force Survey, Sri Lanka in 2019, which included more than 50,000 unemployed graduates, most of whom were humanities and social sciences graduates. Studies indicate that graduates from these fields often struggle to find employment primarily due to a pronounced skills mismatch, as they lack essential employability skills and workplace-relevant attributes (Dayaratna-Banda & Dharmadasa, 2022; Majid & Banu, 2024). Graduate unemployment is driven not only by education–job mismatches but also by structural economic constraints, weak private sector capacity and political instability, indicating that solutions require both education reforms and broader economic and policy interventions (Bopagamage & Bopagamage, 2024).

The empirical findings discuss that extended unemployment reduces household income contributions, reducing of aggregate demand and reducing government’s tax revenue. Further this issue leads to increase government expenditure on welfare for long-term unemployed graduates and create fiscal imbalances that constraints GDP growth. Hence, addressing graduate unemployment in Sri Lanka requires structural reforms and policy interventions, as Arts graduates face limited job opportunities, lack of essential skills for private sector employment and largely depend on government jobs for stability and security (Majid & Banu, 2024). The above empirical findings reveal that graduate unemployment in Sri Lanka, particularly among arts and humanities graduates stem from a persistent skills mismatch, overreliance on public sector jobs, weak private sector. This kind of situation hinders the ability to create sustainable jobs in the market.

High levels of graduate unemployment create significant social and economic challenges, imposing financial strain on families while leaving many young people feeling socially and economically marginalized. This situation undermines social cohesion that contributes to political unrest and criminal activities and has become a root cause of broader socioeconomic crises in developing countries (Fenta, 2024; Kanakaratne & Jayasinghe, 2021). Therefore, Graduate unemployment in Sri Lanka creates severe social and economic challenges, necessitating structural reforms and policy interventions to enhance skills, expand private sector opportunities and reduce overreliance on government employment.

The research question of this study is “what are the effects of Arts and Humanities graduate unemployment on the macroeconomic factors?” The literature on graduate unemployment, employability and macroeconomic outcomes has been expanding in recent years. Therefore, it is essential to critically review and synthesize the existing evidence to minimize the risk of omitting relevant findings in this systematic literature review (SLR). To address this concern, this SLR focuses on peer-reviewed and high-quality studies published from year 2020 and year 2025, following clearly defined selection criteria and guided by the PRISMA framework.

Although there are researches examining the link between graduate unemployment and macroeconomic indicators, there are limited empirical evidence and insufficient comprehensive analyses of how graduate unemployment, especially among Arts and Humanities graduates affects broader macroeconomic determinants such as economic growth, productivity, income inequality, aggregated demand, aggregated supply and labor market efficiency.

Existing studies reveal that the macroeconomic impact of graduate unemployment varies depending on several factors such as labor market structures, educational policies, fiscal & employment strategies and capacity of the private sector. Additionally, country specific comparative approach with the analysis of structural and behavioral dimensions would provide a more accurate understanding of the economic implications of persistent graduate unemployment.

Hence, it becomes vital to provide a comprehensive overview of existing literature and identify possible gaps in current research on the economic consequences of graduate unemployment. Accordingly, this study aims to (1) to synthesize theoretical and empirical literature on unemployment among Arts and Humanities graduates; (2) to examine the extent and determinants of unemployment and skill–job mismatch among Arts and Humanities graduates in developing economies; (3) to analyze the economic implications of graduate unemployment on labour market efficiency and productivity; (4) to identify key research gaps and propose directions for future research and policy to improve graduate employability. This paper synthesizes the key features of the graduate unemployment literature, including research design, measurement frameworks, analytical approaches and the overall quality of reported findings. Furthermore, it seeks to analyze both the adverse macroeconomic impacts of graduate unemployment and the potential policy measures for sustainable human capital development. Ultimately, this SLR highlights interventions and strategies that demonstrate long-term economic implications and propose policy recommendations for improving labor market integration and macroeconomic resilience in Sri Lanka.

## **2. Methods**

This study employed the preferred reporting items for systematic reviews and meta-analysis (PRISMA) criteria to develop the SLR.

### **2.1 Literature search**

The databases used were Scopus, ProQuest, ResearchGate, JSTOR, Google Scholar and SpringerLink. The review focused on studies examining the economic implications of graduate unemployment, employability, skill-job mismatch and labour market outcomes in developing countries, with particular attention to Arts and Humanities graduates. The majority of the sources were peer-reviewed journal articles, while a small number were government reports and institutional policy papers.

Since this study aimed to capture the recent trends and evidences of post COVID 19 economic crises and labour market disruptions, the timeframe was limited to publications between the year 2020 to 2025. This period captures most recent macroeconomic policy implications in higher education and employment in Sri Lanka and other developing countries. The literature search employed keywords below in Table 1 and combinations related to economics/economic consequences. Synonyms and variations were applied for each subject area to ensure comprehensive coverage of the available literature.

The search strategy and detailed inclusion/exclusion criteria are documented in the PROSPERO protocol. Mendeley (v1.19.8) software was used to manage and organize references, remove duplicates and streamline the review process.

The search terms and combinations are summarized in Table 1.

### **2.2 Eligibility criteria**

Journal articles included the following criteria: (1) the published research study needed to be a peer reviewed work in the English language; (2) the research article examined economic implications of Graduate Unemployment or Skills-Job mismatch; (3) the study explicitly revealed whether it has quantitatively or qualitatively specified Graduate Unemployment Consequences on the Economy.

This review excluded studies that primarily focused on technical, medical, engineering, information technology, management or natural science graduates, as well as researches analyzing sector-specific employment trends (such as in tourism, ICT, agriculture, construction, or manufacturing industries) without clear reference to Arts and Humanities discipline. Studies emphasizing sociocultural, psychological or behavioral factors of unemployment without measurable economic outcomes were also omitted. In addition, papers limited to curriculum reforms, teaching methods, academic performance or educational assessment frameworks without direct relevance to labour market or economic implications were excluded.

### 2.3 Study selection and data extraction

The review searched relevant studies and filtered out duplicates under the independent evaluation process.

**Table 1:** Search terms used for different relationships (without synonyms)

Keywords	Operator	Keyword Grouping	Operator	Keywords
Arts and Humanities	AND	Graduates OR Students	AND	Employment OR Unemployment
Skill–Job Mismatch	AND	Overqualification OR Underemployment	AND	Labor Market OR Workforce
Economic Implications	AND	Economic Consequences OR Productivity	AND	Income OR Wages
Graduate Employability	AND	Skills OR Competencies	AND	Labour Market Outcomes

When eligibility was unclear from the titles and abstracts, then the full text was reviewed to check the eligibility for inclusion. The Excel forms were designed to identify review patterns among the heterogeneity of study characteristics and outcomes. The data of searched studies consisted of three parts: General Information (author/authors, year of publication, countries examined); Study Characteristics (type of the study, statistical methods, study area); and Summary of Findings (factors used and main findings). The research study was based on PRISMA 2020. The method included four stages: (1) identification of records via databases and registers; (2) selection of records; (3) review of qualifications; and (4) inclusion in the study (Page et al., 2021).

Regardless of the design of the included studies, the PRISMA 2020 statement has been created primarily for systematic reviews of studies that evaluate Economic Implications of Unemployment among Arts and Humanities Graduates (Page et al., 2021). Therefore, this study used PRISMA 2020 updated review template for selecting eligibility studies. The data-charting forms used by the researcher used to categorize the full-text studies that were reviewed. These Excel tables were designed to identify review patterns among the heterogeneity of study characteristics and outcomes. Forms were divided by the various relationships available in terms of the research question and were used for data extraction by including relevant notes and keywords for each article.

### 2.4 Quality assessment

This study excluded review articles, pilot studies, working papers, reports or unpublished PhD. dissertations, books, symposiums, supplementary, prospective or intervention studies and those published in other languages.

## 3. Results

### 3.1 Identification of studies

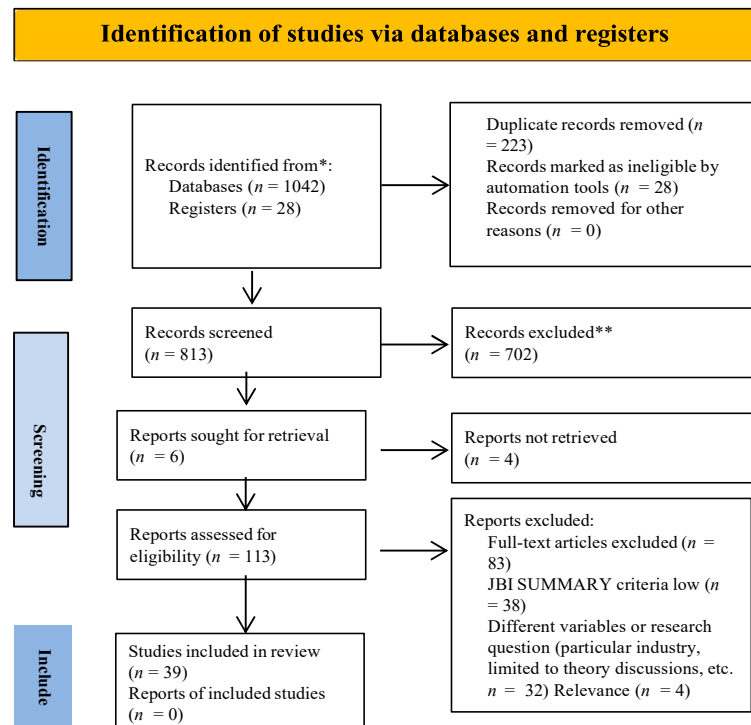
In this review study, total of 1,070 articles were initially retrieved, and 223 duplicates were removed

before entering the first phase of screening. A total of 813 articles were assessed for the first phase of screening based on their title and abstract. So, in the first phase of screening, only 113 articles retained while 702 studies have been rejected. Consequently, in phase two of screening, 185 papers were assessed based on their full text. Out of them, only 39 articles met the inclusion criteria for further evaluation. Hence, the remaining 39 studies were considered eligible for this review (Appendix 1). Among these studies, twenty-three were based on quantitative methods including cross-sectional, OLS, panel, time-series, and descriptive designs. Eleven studies employed qualitative methods using thematic analysis, while five adopted a mixed-method approach, combining thematic and cross-sectional designs. (see Figure 1).

### 3.2 Study characteristics

The 39 selected studies were categorized into seven primary thematic factors. The largest proportion of studies examined GDP growth (21%). This was followed by aggregate demand (18%) and income inequality and human capital returns (18%). A further 13% of the studies focused on labour productivity, while government revenue (10%), government expenditure (10%), and labour market efficiency (10%) accounted for the remaining themes.

The investigation into the economic implications of unemployment among Arts and Humanities graduates is critically dependent on an analysis of the most recent research. This necessity stems from the fundamental understanding that the economic implications of graduate unemployment are not static and evolve continuously in response. Therefore, the study selected most recent studies that were published from year 2020 to year 2025. This period is selected as this period is post COVID-19 labour market disruption and there are updated evidences with regard to the macroeconomic implications of graduate unemployment



Source(s): (Page et al., 2021)

**Figure 1:** Economic Implications of Unemployment PRISMA (2020) flow diagram

The majority of the included articles (74.36%) were related to the developing countries (Sri Lanka, Pakistan, Nepal, India, Indonesia, Tanzania, Ethiopia, Nigeria, South Africa, and Kenya = 29 studies). Meanwhile, 23.08% of studies from the developed countries (Spain, Italy, US, UK, Malaysia and Saudi Arabia = 9 studies), while one article was a multi-country study focusing on European

Countries and European Union.

Furthermore, the methodological nature and comprehensiveness of the structure of the studies ranged from average to excellent with the use of the AIM(RaD)C framework: Abstract, Introduction, Materials/Methods, repeated Results, Discussion, and Conclusion. Studies used a variety of research methods and tools to evaluate the economic implications of unemployment among Arts and Humanities graduates. Most of the studies used quantitative methods (23 papers) and eleven studies employed qualitative methods, while five studies adopted a mixed-method approach.

The data sources of the selected studies were almost evenly distributed. The majority of studies (26) relied on primary data sources for data collection, while a considerable number of studies (13) used secondary data sources.

The study outcome focused on macroeconomic and labour market effects. Key areas included GDP growth and labour productivity, government revenue and expenditure, labour market efficiency and employment, income inequality and human capital returns and aggregate demand and consumption patterns highlighting the broad economic consequences of graduate unemployment. The 39 studies were categorized into seven primary thematic factors: the largest proportion of studies examined GDP growth (21%). This was followed by aggregate demand (18%) and income inequality and human capital returns (18%). A further 13% of the studies focused on labour productivity, while government revenue (10%), government expenditure (10%) and labour market efficiency (10%) accounted for the remaining themes.

A cross-sectional design was the most prevalent methodological approach, employed in 34% of the studies. Thematic analysis was the second most common technique, featuring in 25% of the studies within qualitative research category. Quantitative analytical methods were also widely utilized with Ordinary Least Squares (OLS) regression appearing in 12% of the studies. Other methods, including panel data analysis, time series analysis, sensitivity analysis, and pre-post intervention studies, were applied less frequently, collectively accounting for the remainder of the methodological approaches. This diversity in methods reflects the field's effort to quantify and analyze the multifaceted impact of graduate unemployment from various analytical angles.

**Table 2:** Characteristics of the included studies (n = 39)

<b>Macroeconomic Impact Dimension</b>	<b>n</b>	<b>%</b>	<b>Key Sources (from 39 included studies)</b>
<i>Impact on GDP Growth</i>	<b>8</b>	<b>21</b>	
GDP per capita reduced by graduate unemployment	3	8	Jayathilake (2020), Dayaratna-Banda & Dharmadasa (2022), Azeem et al. (2025), Vera-Toscano & Meroni (2021), Albert & Davia (2022), Ah Gang et al. (2020), Gonzalez Ehlinger & Stephany (2023), Salmon (2024)
Skill-job mismatch reduces labour productivity	3	8	
Structural unemployment reduces GDP growth	2	5	
<i>Impact on Government Revenue</i>	<b>4</b>	<b>10</b>	
Graduate unemployment reduces tax revenue and impact on fiscal deficit	2	5	Majid & Banu (2024), Gunarathne & Jayasinghe (2021), Choon Wei & Pei Yew (2020), Deshani & Hirimburegama (2024)
Underemployment and wage depression narrow individual consumption	2	5	
<i>Impact on Government Expenditure</i>	<b>4</b>	<b>10</b>	
Increased social welfare, unemployment benefits and public sector dependency	2	5	Bopagamage & Bopagamage (2024), Mgaiwa (2021), Alanazi & Benlaria (2023), Rifas et al. (2025)

Ineffective education investments reduce fiscal returns when graduates remain unemployed	2	5	
<i>Impact on Aggregate Demand</i>	<b>7</b>	<b>18</b>	
Graduate joblessness and reduced household income, Decrease in aggregate demand	3	8	Bilal et al. (2021), Dayo et al. (2023), Kristian et al. (2024), Bhandari & Subedi (2024), Kumari et al. (2024), Fenta (2024), Akinkuolie et al. (2024)
Financial illiteracy reduces graduate savings, investment decisions	2	5	
Social unrest and mental health deterioration reduce economic participation	2	5	
<i>Impact on Labour Productivity</i>	<b>5</b>	<b>13</b>	
Underutilisation of human capital and decrease in productivity	3	8	Esposito & Scicchitano (2023), Liu et al. (2024), Cortadas-Guasch (2024), Khattri et al. (2023), Shabangu & Madondo (2024)
Credential inflation lowers returns to educational investment	2	5	
<i>Impact on Labour Market Efficiency</i>	<b>4</b>	<b>10</b>	
Structural mismatch between educational supply and labour demand creates inefficiency	2	5	Patel et al., (2025), Hidayat & Mariah (2025), Kanakaratne & Jayasinghe (2021), Addison et al. (2020)
Gender and geographic disparities in unemployment reduce aggregate labour supply	2	5	
<i>Impact on Income Inequality and Human Capital Returns</i>	<b>7</b>	<b>18</b>	
Graduate unemployment expands income inequality	2	5	Gardiyawasam et al. (2021), Jayasingha & Suraweera (2020), Haule et al. (2023), Ferdousi et al. (2025), Behera & Raj (2024), Palliyaguru (2021), Husin et al. (2021)
Weak entrepreneurship culture and financial illiteracy increase income gaps among graduates	3	8	
Overreliance on public sector employment limits private sector growth and human capital returns	2	5	

**Table 3 - Study setting**

<b>Developed country</b>	9	23.08	Spain, Italy, US, UK, Malaysia, Saudi Arabia		
<b>Developing country</b>	29	74.36	Sri Lanka, Pakistan, Nepal, India, Indonesia, Tanzania, Ethiopia, Nigeria, South Africa, Kenya		
<b>Global / Multiple country</b>	1	2.56	European Countries, European Union		
<b>Publication year</b>			<b>Data sources</b>	<b>n</b>	<b>%</b>
<b>2020</b>	5	12.82	Primary	26	66.66
<b>2021</b>	8	20.51	Secondary	13	33.33
<b>2022</b>	2	5.13			
<b>2023</b>	6	15.38			
<b>2024</b>	14	35.90			
<b>2025</b>	4	10.26			
			<b>Methodology</b>	<b>Design</b>	
<b>Quantitative</b>	23	58.97	Cross-sectional, OLS, Panel, Time Series, Descriptive		
<b>Qualitative</b>	11	28.21	Thematic Analysis only		
<b>Mixed Method</b>	5	12.82	Combinations of Thematic with Cross-sectional		

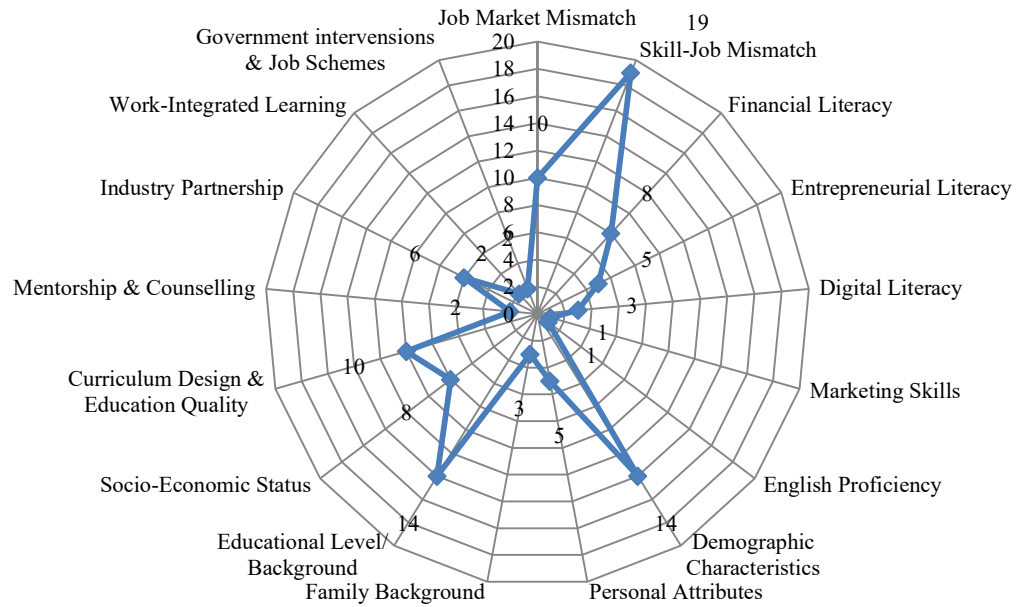
Source(s): Developed by the Researcher

## 4. Findings

### 4.1 Summary of the key findings

All of the studies in this review included critical economic parameters and factors on graduate unemployment among Arts and Humanities disciplines. The variables and their frequency of use by the included articles are detailed in Figure 2. The Skill-Job Mismatch variable was the most frequently investigated factor, reflecting its central role in driving macroeconomic inefficiencies through suppressed macroeconomic consequences.

Out of 39 studies, nineteen investigated the causes and effects of Skill-Job Mismatch, primarily through its macroeconomic impact on the GDP Growth. Fourteen studies examined Demographic Characteristics (including gender, age, and geographic disparities) and Educational Level/Background, both of which are found to affect aggregate labour supply and income inequality. Ten studies analyzed Curriculum Design & Education Quality and Job Market Mismatch, highlighting the fiscal inefficiency of public investment in higher education that fails to align with labour market demand. Eight studies assessed Financial Literacy and Socio-Economic Status, documenting their impact on aggregate demand formation and household consumption. It is worth noting that the majority of the studies examined multiple variables simultaneously, reflecting the interconnected nature of the macroeconomic transmission channels through which graduate unemployment affects GDP growth, government revenue and expenditure, aggregate demand and other macroeconomic factors.



Source(s): Developed by the Researcher

**Figure 2:** Factors examined and their frequencies in the included studies

#### 4.2 Comparative Economic Dimensions of Graduate Unemployment

Graduate unemployment among Arts and Humanities graduates reveals sharp regional and economic contrasts, shaped by structural, institutional, and macroeconomic factors. In Sri Lanka, more than 50,000 graduates remained unemployed in 2019, with humanities and social sciences dominating the pool and a youth unemployment rate of 23.3%, underscoring systemic challenges such as limited private-sector absorption, declining public recruitment, and English language deficiencies (Dayaratna-Banda & Dharmadasa, 2022). Similar conditions are evident across developing regions: in Malaysia, graduate unemployment surged from 13.8% to 25% during the COVID-19 pandemic, affecting over 116,000 graduates (Husin et al., 2021); in Ethiopia, persistent graduate joblessness has triggered household financial collapse and social unrest (Fenta, 2024); and in Tanzania, weak university-industry collaboration and poor skills alignment have constrained employment opportunities (Mgaiwa, 2021). These cases highlight a common pattern of higher education expansion without corresponding labor market absorption. By contrast, European economies exhibit more complex but less severe patterns due to stronger welfare systems and institutional support. In the European Union, overeducation and mismatch remain widespread, particularly among younger cohorts, as educational attainment outpaces job creation (Vera-Toscano & Meroni, 2021). In Spain, Humanities and Social Science graduates face the highest risk of mismatch, with post-crisis economic stagnation slowing job absorption (Cortadas-Guasch, 2024), although targeted university employment programs have improved outcomes for master's graduates (Albert & Davia, 2022). In developed economies like the United States, skill mismatches persist, yet unemployment insurance and flexible labor markets mitigate long-term hardship (Addison et al., 2020). Conversely, in developing contexts, the absence of social protection amplifies the socioeconomic consequences of unemployment: households experience severe income shocks, and the opportunity cost of education, especially for low-income families become unsustainable (Fenta, 2024; Gunarathne & Jayasinghe, 2021). Thus, while graduate unemployment imposes economic inefficiencies globally, its impact is most acute in developing nations where institutional weaknesses, skills mismatches, and inadequate safety nets magnify both individual and macroeconomic losses. Context-specific policy interventions are therefore developed economies must refine skill adaptability and job matching, whereas developing countries require integrated reforms in education, employment creation and social protection to address the deep structural roots of graduate unemployment.

### **4.3 Effect of Skill-Job Mismatch on Labour Productivity and Economic Output**

Skill-job mismatch constitutes a major source of economic inefficiency that undermines productivity, employment quality and national competitiveness for the economic growth. It occurs both vertically, when graduates are overeducated or undereducated for their roles, and horizontally, when they work in fields unrelated to their studies. In Sri Lanka and similar contexts, graduates in humanities and social sciences face particularly high levels of mismatch due to the gap between academic education and employer expectations (Dayaratna-Banda & Dharmadasa, 2022). Overeducation has become increasingly common as expanded higher education and slow job growth push graduates into positions below their qualifications (Vera-Toscano & Meroni, 2021). Horizontal mismatch, especially prevalent among Arts graduates, results in wasted educational investment and additional employer re-training (Cortadas-Guasch, 2024; Khattri, Partner & Khanal, 2023). These mismatches depress wages, reduce motivation and limit innovation, while forcing employers to re-invest in skill development for creating a double economic cost (Choon Wei & Pei Yew, 2020). Theoretical evidence from human capital and signaling models indicates that non-cognitive skills such as motivational traits and attitudinal factors can mitigate mismatch but remain undervalued in many education systems (Esposito & Scicchitano, 2023; Liu et al., 2024). Gender and demographic disparities further intensify the economic toll, as women, younger age and low-income groups experience higher mismatch risks and greater wage penalties (Addison et al., 2020; Gardiyawasam et al., 2021). These structural inefficiencies transform skill-job mismatch into a macro-micro economic issue that weakens labor market performance, diminishes the return on educational investment and impedes inclusive national development.

### **4.4 Effect of Skills Deficit on Entrepreneurship Gaps**

The analysis of skills and competencies highlights a critical economic gap between the capabilities Arts and Humanities graduates possess and the demands of contemporary labor markets. While graduates often demonstrate strong soft skills, critical thinking and creativity, but deficiencies in hard technical skills such as digital literacy, analytical skills and entrepreneurial competencies that systematically constrain employment and self-employment opportunities (Akinkuolie, Umoru, & Ademiluyi, 2024; Behera & Raj, 2024; Hidayat & Mariah, 2025; Jayasingha & Suraweera, 2020). Low levels of financial literacy among graduates also have profound macroeconomic implications, influencing both individual and national economic performance. When large portion of educated youth lack in financial literacy to make effective decisions about savings, investment and entrepreneurship, it will impact on their career development, productivity and capacity for innovation. The absence of financial literacy reduces the efficiency of labor markets by prolonging job searches, increasing dependency ratios and limiting the formation of new enterprises that could absorb unemployed graduates (Bhandari & Subedi, 2024). At the macro level, this contributes to lower household savings rates, weak private investment and constrained capital formation, collectively reducing economic growth. This highlights the failure to integrate financial education into higher education systems that particularly in Arts and Humanities disciplines. Thus represents not only a microeconomic inefficiency but a systemic barrier to national development (Dayo, Jatoi & Shaikh, 2023). Economies characterized by financially illiterate graduates face a dual loss: underutilized human capital and missed opportunities for innovation-led growth through entrepreneurship (Bilal et al., 2021; Kumari et al., 2024). Over time, these deficiencies perpetuate structural unemployment, widen income inequalities and increase fiscal burdens on the government. Addressing financial literacy gaps within higher education is essential not merely for individual employability but for enhancing macroeconomic resilience, productivity and inclusive growth. Furthermore, the absence of structured programs to develop entrepreneurial skills and financial literacy prevents graduates from converting their competencies into viable business ventures, worsening the opportunity cost of Arts and Humanities education. Addressing these gaps requires integrated curricular reforms that combine disciplinary knowledge with technical, digital and entrepreneurial skill development, enabling graduates to realize economic potential both within traditional employment sectors and in self-directed economic activities.

### **4.5 Effect of Education Misalignment on Human Capital Returns**

The overproduction of Arts and Humanities graduates, combined with persistent credential inflation, indicates a misalignment between academic supply and market needs that perpetuates unemployment and underemployment cycles (Albert & Davia, 2022; Gardiyawasam et al., 2021). Institutional disparities further exacerbate these issues, as employers increasingly rely on university reputation

rather than graduate competency as a proxy for employability, reinforcing inequality across socioeconomic groups (Mgaiwa, 2021). Graduate unemployment produces wide-ranging macroeconomic implications that extend beyond individual hardship, undermining national productivity, economic growth and social stability. High levels of graduate unemployment reflect inefficiencies in human capital utilization, where significant public and private investments in education fail to generate corresponding economic outputs (Fenta, 2024). This situation worsens fiscal strain, diverting limited resources toward non-productive expenditure. Furthermore, persistent unemployment among educated youth discourages future educational investments, weakens intergenerational mobility, and contributes to a “brain drain” as skilled graduates seek opportunities abroad (Dayaratna-Banda & Dharmadasa, 2022). In economies like Sri Lanka, where the majority of unemployed graduates are from Arts and Humanities backgrounds, the macroeconomic consequences are particularly acute that manifesting as structural inefficiency, reduced innovation capacity and declining returns on educational spending (Gardiyawasam et al., 2021). The mismatch between education output and labor market demand suppresses productivity, distorts wages and expands the informal sector, limiting formal employment. Graduate unemployment thus reflects both labor market integration failure and a systemic drag on long-term economic growth. Underutilized human capital reduces returns on public investment in higher education and constrains national innovation.

#### **4.6 Effect of Job-Market Mismatch on Structural Economic Issues**

Job market mismatch reflects deep-rooted structural economic issues that extend beyond temporary unemployment cycles, particularly for Arts and Humanities graduates. The persistent imbalance between graduate supply and limited demand for high-skilled jobs has resulted in chronic underemployment and wage suppression (Alanazi & Benlaria, 2023; Choon Wei & Pei Yew, 2020). Many Arts graduates continue to prefer public sector employment despite limited openings, contributing to frictional unemployment and prolonged job searches that reduce productivity and increase economic inefficiency (Majid & Banu, 2024). The overrepresentation of Arts graduates among the unemployed—59.1% of Sri Lanka’s unemployed graduates highlights the systemic failure to align higher education with labor market needs (Bopagamage & Bopagamage, 2024; Gardiyawasam et al., 2021). Economic crises amplify these structural weaknesses, as downturns disproportionately affect graduates in non-technical fields. During the COVID-19 pandemic, youth and female graduates faced rising unemployment, with recovery in Arts-related sectors lagging behind other industries (Husin et al., 2021). Such crises also deepen skill mismatches, as graduates are forced into under positions which does not require much qualifications to perform the job, often leading to long-term career stagnation (Rifas et al., 2025; Vera-Toscano & Meroni, 2021). Broader structural transformations including automation, globalization and the shift toward technology-driven economies have further reduced demand for traditional Arts and Humanities roles, displacing many graduates from their professional pathways (Deshani & Hirimburegama, 2024; Jayathilake, 2020; Kristian et al., 2024). Despite emerging opportunities in AI, sustainability, and creative sectors, weak education-industry coordination and policy emphasis on individual skills deficits obscure the structural causes of unemployment (Gonzalez Ehlinger & Stephany, 2023; Salmon, 2024). Consequently, the job market mismatch among Arts and Humanities graduates represents a macroeconomic inefficiency and policy failure that undermines both human capital utilization and inclusive national growth. From a fiscal policy perspective, this represents a compounding burden: declining income tax revenues, expanded social welfare expenditure, and the continued allocation of public resources toward higher education systems that produce graduates who cannot be absorbed by the labour market creating a structural deterioration of government fiscal balances that is particularly acute in developing economies like Sri Lanka (Jayathilake, 2020; Bopagamage & Bopagamage, 2024).

#### **4.7 Effect of Demographic Disparities on Aggregate Demand and Labour Market Supply**

Demographic disparities in graduate unemployment are shaped by gender, age and geographic location that produce far-reaching macroeconomic consequences that undermine inclusive growth, labor market efficiency, and human capital utilization. Persistent gender-based inequalities, with women experiencing higher unemployment and lower wages despite equal or superior qualifications, result in substantial aggregate productivity losses and reduced household incomes, weakening overall economic demand and tax revenues (Addison et al., 2020; Gardiyawasam et al., 2021). Similarly, cohort effects have created generational inequities, where younger graduates face declining returns to education and

prolonged unemployment, eroding intergenerational mobility and reducing long-term economic growth potential (Vera-Toscano & Meroni, 2021). Geographic disparities further worsen inequality, as graduates in rural or underdeveloped regions encounter limited employment opportunities and mobility constraints, leading to underemployment and spatial inefficiencies in labor allocation (Gunarathne & Jayasinghe, 2021; Liu et al., 2024). Collectively, these demographic divides fragment labor markets, reduce aggregate productivity and hinder the formation of a resilient economy. The systemic exclusion of qualified individuals based on gender, location or cohort represents a social injustice and economic inefficiency that constrains labour supply, weakens innovation capacity and perpetuates structural unemployment. Addressing these demographic imbalances is therefore essential for optimizing labour supply, enhancing innovation potential and promoting inclusive and sustainable economic growth.

#### **4.8 Effect of Graduate unemployment on the Social Costs**

Graduate unemployment imposes severe social costs, including long-term earnings losses, debt burdens and reduced economic mobility (Choon Wei & Pei Yew, 2020; Vera-Toscano & Meroni, 2021). The labor market disequilibrium reduces aggregate demand, as unemployed and underemployed graduates contribute less to consumption and tax revenues, while increasing dependency on social welfare and public sector employment (Majid & Banu, 2024). These effects are particularly acute among Arts and Humanities graduates, who face higher risks of mismatch and wage depression due to limited market demand for their qualifications (Cortadas-Guasch, 2024). Financially, unemployed graduates and their families endure significant strain, often depleting savings or incurring debt to support prolonged job searches, with some facing bankruptcy after investing heavily in education that yields no returns (Fenta, 2024). Family income also influences unemployment duration, with lower-income families bearing the heaviest burdens as they lack the resources to sustain unemployed dependents (Gunarathne & Jayasinghe, 2021). Socioeconomic background further shapes employment outcomes and economic mobility, as wealthier graduates can afford to wait for suitable positions or pursue further training, while disadvantaged graduates often accept lower-quality jobs that perpetuate inequality (Gardiyawasam et al., 2021). The resulting loss of faith in education as a pathway to upward mobility leads to broader intergenerational consequences, with reduced investment in education and declining trust in its economic value (Fenta, 2024). Graduate unemployment produces extensive socioeconomic repercussions that transcend individual hardship, imposing macroeconomic costs through weakened family economies, eroded community vitality and destabilized governance structures. Families bear heavy financial burdens as prolonged dependence of unemployed graduates depletes household savings, diminishes intergenerational wealth, and reduces future educational investment capacity (Fenta, 2024). At the community level, high concentrations of educated but unemployed youth depress consumer demand, constrain local business activity, and reduce tax revenues, undermining regional economic resilience and development potential. The resulting economic marginalization also exacerbates social instability, with graduate unemployment linked to increased crime, political unrest, and declining institutional legitimacy, as disillusioned educated youth lose faith in governance systems (Akinkuolie, Umoru & Ademiluyi, 2024; Fenta, 2024). Furthermore, prolonged joblessness contributes to widespread mental health deterioration manifesting in depression, anxiety and loss of motivation that imposes direct healthcare costs and indirect productivity losses, while weakening future labor market engagement (Jayathilake, 2020). The aggregate demand dimension of these social costs is often underestimated in policy discussions: communities with high concentrations of graduate unemployment experience sustained depression of local consumer spending, reducing business revenues and tax receipts, while simultaneously increasing government expenditure through social welfare, mental health services and security provisions (Fenta, 2024; Akinkuolie, Umoru & Ademiluyi, 2024; Jayathilake, 2020). Overall, graduate unemployment creates a cycle of financial vulnerability and increase social inequality that increases socioeconomic cost.

#### **4.9 Integrated Macroeconomic Consequences of Graduate Unemployment**

The reviewed literature collectively demonstrates that graduate unemployment among Arts and Humanities graduates exerts measurable negative effects significantly on four core macroeconomic dimensions: Economic growth, labour market efficiency, labour productivity and income inequality and human capital returns. Evidence from the literature indicates that persistent unemployment among educated youth weakens the productive utilization of human capital and creates broader economic inefficiencies. For instance, Jayathilake (2020) identified a Granger causal relationship

between youth unemployment and declining GDP per capita in Sri Lanka, highlighting how prolonged joblessness among graduates constrains economic growth. At the same time, widespread graduate unemployment suppresses household incomes and consumer spending, thereby weakening aggregate demand and reducing the overall tax income (Fenta, 2024; Majid & Banu, 2024). In addition, skill–job mismatches and the underutilisation of qualified graduates reduce labour productivity and diminish the economic returns to higher education.

These macroeconomic effects are closely interconnected and tend to reinforce one another over time. Persistent graduate unemployment limits the productive contribution of skilled labour, slowing economic growth and weakening national competitiveness. Simultaneously, reduced employment opportunities for graduates lower household earnings and consumption levels, which further constrains domestic demand. The underutilisation of educated labour also reduces the returns to human capital investment, contributing to widening income inequality among graduates with differing employment outcomes. Structural issues such as the overrepresentation of Arts and Humanities graduates among the unemployed (Gardiyawasam et al., 2021), and gender-based labour market segmentation (Addison et al., 2020), further intensify these inefficiencies. Collectively, the literature suggests that graduate unemployment is not merely a social concern but a significant macroeconomic challenge, as it undermines productivity, widens income disparities, weakens aggregate demand and constrains long-term economic growth, thereby highlighting the need for comprehensive education and labour market policy reforms.

#### **4.10 Theoretical Frameworks and Economic Models**

Human capital theory provides the foundational economic basis for linking education with productivity, emphasizing that investment in knowledge and skills enhances employability and economic value (Mgaiwa, 2021). However, persistent unemployment among Arts and Humanities graduates challenges this theory’s assumptions, indicating either limited relevance of acquired skills or weak labor market recognition of such capabilities. Liu et al., (2024) found that non-cognitive skills significantly reduce educational mismatch, suggesting that employability increasingly depends on transferable and interpersonal competencies rather than disciplinary knowledge alone.

The theory also struggles to explain differing returns across disciplines, implying that broader labor market structures and signaling mechanisms play decisive roles. Complementary frameworks such as signaling and screening theories argue that education functions primarily as an indicator of ability rather than productivity, with employers using degrees to infer competence (Liu et al., 2024). (Cortadas-Guasch, 2024) noted that Humanities and Social Science graduates face high mismatch risks because employers perceive their qualifications as weak productivity signals. The erosion of signaling value due to credential inflation has further diminished the employability of Arts and Humanities graduates, prompting a shift toward skill-based hiring in emerging sectors (Albert & Davia, 2022; Gonzalez Ehlinger & Stephany, 2023). Labor market segmentation theory adds a structural dimension, explaining how institutional barriers and market organization confine certain groups to low-quality jobs regardless of education. Addison et al., (2020) found persistent skill mismatches among educated women, while Vera-Toscano & Meroni (2021) observed enduring overeducation due to limited high-skill job creation. Gender segmentation worsens these inequalities, as evidenced by Sri Lankan data showing higher unemployment among female graduates (Gardiyawasam et al., 2021). Together, these theories reveal that graduate unemployment arises from both individual-level factors (skills and signaling) and structural market segmentation, underscoring the need for integrated educational and labor market reforms to improve employability and reduce systemic inequality.

#### **4.11 Intervention Strategies and Economic Implications**

Entrepreneurship education significantly enhances graduates’ entrepreneurial self-efficacy and behavioural control. However, financial constraints leave many graduates unemployed, reducing aggregate demand through lower household consumption. Government revenue is diminished by reduced income tax receipts from unemployed graduates, while public investment in higher education continues without generating proportionate productive employment which reducing fiscal return on educational expenditure.

Addressing unemployment among Arts and Humanities graduates requires multifaceted intervention

strategies encompassing entrepreneurship education, work-integrated learning (WIL), university-industry partnerships and curriculum reform, each with distinct economic implications. Entrepreneurship education enhances graduates' self-employment capabilities, entrepreneurial intentions and psychological readiness to create employment, particularly benefiting women and other demographically vulnerable groups. Such programs foster business creation, which not only provides self-employment but also generates broader economic benefits, including job creation, innovation and tax revenues. However, financial constraints, social norms, and lack of family support may limit graduates' ability to translate entrepreneurial intentions into action, necessitating mentorship, experiential learning and ecosystem support (Azeem, Khaskheli & Solangi, 2025; Ferdousi et al., 2025; Haule et al., 2023).

Government policies and labor market interventions play a crucial role in addressing graduate unemployment, yet their effectiveness and economic efficiency remain questioned. Employment schemes and active labor market programs aim to create jobs, enhance employability and provide incentives for employers; however, limited awareness and access often undermine their impact (Jayathilake, 2020). Poorly designed programs can also generate deadweight and displacement effects, producing temporary or misaligned employment rather than sustainable outcomes (Bopagamage & Bopagamage, 2024). Fiscal resources directed toward such schemes may yield lower long-term returns compared to investments in education quality, curriculum reform, or skills development (Fenta, 2024). Broader policy frameworks exert even greater influence on graduate employability, as labor and education policies often frame unemployment as an individual failure rather than a structural issue, neglecting systemic challenges such as weak industry linkages and limited job creation (Salmon, 2024). Misaligned funding incentives further exacerbate the problem by promoting academic expansion in low-demand fields, highlighting the need to align higher education planning with national development priorities (Mgaiwa, 2021). Moreover, labor market regulations and social policies, including minimum wages, employment protection and childcare support that shape hiring behavior and female graduate participation, with evidence suggesting persistent gender-related skill mismatches (Addison et al., 2020). Evaluating the cost-effectiveness of interventions remains methodologically complex, yet educational reforms emphasizing curriculum relevance, work-integrated learning and university-industry partnerships demonstrate stronger long-term employability gains (Alanazi & Benlaria, 2023; Mgaiwa, 2021). Despite political pressures favoring short-term job programs, sustainable solutions require balanced policies that integrate immediate relief measures with educational and structural reforms to foster both short-term employment and long-term economic development (Khattari, Partner & Khanal, 2023).

Work-integrated learning, including internships, cooperative education and practical placements enhances employability by developing workplace-relevant skills, providing practical experience and facilitating employer networks (Majid & Banu, 2024; Shabangu & Madondo, 2024). Although Work-integrated learning improves graduates' relative employment prospects, particularly within the Arts, its effectiveness is constrained by limited institutional resources, coordination challenges and weak employer partnerships, which are more established for professional disciplines (Ah Gang et al., 2020).

University-industry partnerships serve as a critical mechanism for aligning curricula with labor market needs, facilitating knowledge transfer and creating pathways to employment. Advisory boards and collaborative programs allow institutions to update curricula based on current skill demands while providing students with networking, placement and recruitment opportunities. For Arts and Humanities programs, however, effective partnerships often require engaging civil society organizations, government agencies and cultural institutions due to limited corporate incentives (Mgaiwa, 2021; Palliyaguru, 2021).

Comprehensive curriculum reform represents a foundational intervention by addressing structural skills mismatches and educational irrelevance. Integrating technical skills (e.g., digital literacy, data analysis), professional competencies (e.g., teamwork, problem-solving), and experiential learning into Arts and Humanities programs can improve graduate employability and labor market alignment (Khattari, Partner & Khanal, 2023; Mgaiwa, 2021; Patel, 2025). Nonetheless, faculty resistance curriculum changes, limited institutional capacity and persistent low demand for Arts and Humanities skills will constrain economic returns, suggesting that curriculum reform alone is insufficient to

resolve structural unemployment issues (Bopagamage & Bopagamage, 2024; Salmon, 2024).

These interventions hold potential to enhance the economic outcomes of Arts and Humanities graduates, but their effectiveness depends on coordinated implementation, sufficient resources and integration with broader labor market and social support mechanisms. Poorly designed or partial interventions risk underutilizing both public and private educational investments while leaving graduates economically marginalized.

## 5. Conclusion

This systematic literature review has explored the multifaceted economic implications of unemployment among Arts and Humanities graduates, revealing extensive costs at individual, household, community and national levels. At the macroeconomic scale, graduate unemployment reduces GDP per capita, constrains national development, increases fiscal pressures through diminished tax revenues and rising welfare expenditure, and perpetuates inefficiencies by underutilizing educated human capital (Choon Wei & Pei Yew, 2020; Jayathilake, 2020). The concentration of unemployment among Arts graduates who constitute 59.1% of unemployed graduates in Sri Lanka, reflects deep structural mismatches between educational systems and labor market demand (Gardiyawasam et al., 2021). At the microeconomic level, overeducation and skill mismatches contribute to lower earnings, job dissatisfaction and limited career mobility (Choon Wei & Pei Yew, 2020), while families endure prolonged financial strain, indebtedness and bankruptcy from sustaining unemployed graduates (Fenta, 2024). Socioeconomic background significantly shapes these outcomes, with family income influencing unemployment duration (Gunarathne & Jayasinghe, 2021), and gendered employment barriers disproportionately constraining female graduates (Gardiyawasam et al., 2021). These dynamics weaken the human capital promise of education as a driver of progress. Empirical findings discuss that STEM education in Sri Lanka has potential to overcome intellectual and ethical poverty, but requires strengthened access to knowledge, critical thinking skills and technology. Without such reforms, graduates face unemployment that reduces labour productivity and GDP growth. Continued public investment in misaligned educational systems worsens fiscal efficiency and delivers declining macroeconomic returns on educational spending.

Skill-job mismatch emerges as the central proximate cause of unemployment, encompassing both vertical credential oversupply and horizontal misalignment between university curricula and occupational skill demands (Dayaratna-Banda & Dharmadasa, 2022; Khattri, Partner & Khanal, 2023). The mismatch is most pronounced among Arts and Humanities graduates due to the limited technical content of their training (Cortadas-Guasch, 2024), compounded by gender disparities in job matching (Addison et al., 2020). Structural labor market constraints intensify these issues, as insufficient demand for Arts-based skills, cyclical economic instability and technological transformation, particularly automation and AI—further limit employment opportunities (Deshani & Hirimburegama, 2024; Husin et al., 2021; Majid & Banu, 2024).

The economic implications of graduate unemployment among Arts and Humanities graduates extend well beyond individual joblessness to encompass significant macroeconomic inefficiencies, household vulnerability and the erosion of national human capital productivity. The evidence consistently indicates that this phenomenon arises from interconnected factors; skills mismatch, structural labor market segmentation, demographic disadvantage and inadequate educational alignment rather than individual failings. The persistent overrepresentation of Arts and Humanities graduates in unemployment statistics, in both Sri Lanka and international contexts (Cortadas-Guasch, 2024; Gardiyawasam et al., 2021), underscores the need for integrated policy responses that bridge the education employment divide through curriculum reform, skills-based training, and inclusive labor market strategies.

## 6. Limitations and future research areas

This systematic literature review is subject to several methodological and scope-related limitations. First, the review is confined to publications in the English language between 2020 and 2025, which may exclude relevant studies published in other languages or earlier periods, potentially introducing selection bias in the evidence base. Second, the PRISMA framework which relies on the quality of database indexing and keyword sensitivity studies examining macroeconomic implications of

graduate unemployment may have been unintentionally excluded if they used different terminology or were published in less-indexed journals. Third, the heterogeneity of research designs across the 39 included studies ranging from quantitative time-series analyses to qualitative thematic approaches limits the scope for meta-analytic aggregation of findings. Fourth, the majority of studies (74.36%) are concentrated in developing countries, particularly Sri Lanka, which may limit generalizability of findings to other economic contexts.

These limitations point to several important directions for future research. First, longitudinal quantitative studies are needed to establish causal pathways between Arts and Humanities graduate unemployment and specific macroeconomic outcomes, particularly GDP growth, government fiscal balances and aggregate consumption using panel data from multiple developing economies. Second, future research should develop standardized macroeconomic measurement frameworks that quantify the fiscal cost of graduate unemployment, including foregone tax revenues, welfare expenditures and lost labour productivity to enable cross-country comparisons. Third, given the concentration of evidence from Sri Lanka, comparative studies examining whether findings from Sri Lanka are generalizable to other developing economies with similar educational structures would significantly strengthen the evidence base. Fourth, the intersection of digital transformation, automation, and Arts and Humanities graduate unemployment required a dedicated empirical investigation in future, as emerging evidence suggests growing displacement of graduates from traditional sectors

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Source	Countries Examined	Method	Objective	Main findings
Addison, Chen & Ozturk (2020)	US	Panel Data	To examine occupational skill mismatch differences across gender, birth cohorts, and analyze wage impacts	College-educated women face more skill-job mismatches than men. People with children and those who are in flexible jobs also experience higher mismatches, and younger men show noticeable patterns of mismatch related to other age groups. This mismatch reduces household income contributions, narrows the tax income, and weakens aggregate demand, with compounding fiscal implications where lower female graduate employment translates into reduced government revenue and sustained pressure on welfare expenditure.
Ah Gang et al., (2020)	Indonesia	Thematic Analysis	To evaluate the perceptions of the importance of seven job-related skills (intrapersonal, interpersonal, computing, entrepreneurship, management, personal organization & leadership) between graduates and employers	The main findings show that employers consider internship experience, studying abroad, and participation in co-curricular activities as key predictors of success in job screening. The study highlights the need for universities and policymakers to promote these experiences to help students become well-rounded and better aligned with industry expectations. This mismatch depresses graduates' wage levels and labour productivity, reducing their income tax contributions and household consumption.
Akinkuolie, Umoru & Ademiluyi (2024)	Nigeria	Cross-sectional	To examine the extent to which financial management skills of business education undergraduates in South-West Nigeria influence their entrepreneurial intentions, and to evaluate the extent to which their marketing skills affect these intentions	Both financial management and marketing skills significantly influence entrepreneurial intention among business education students. When graduates lack these skills, they remain unemployed or underemployed, reducing household incomes and aggregate demand.
Alanazi & Benlaria (2023)	Saudi Arabia	Cross-sectional	To investigate the relationship between various factors that contribute to employability outcomes among graduates of Jouf University	This study's findings suggest that enhancing career services, counselling, skills, competencies and curriculum design can improve graduates' employability. Where these are absent, persistent graduate unemployment reduces labour productivity, depresses household income, and weakens aggregate demand.
Albert & Davia (2022)	Spain	OLS	To examine whether job search assistance from universities reduces the risk of educational mismatch	University-supported job search initiatives, such as career counseling, placement services and networking opportunities, help graduates secure jobs that better match their skills, thereby reducing skill-job mismatches. However, this effect is more pronounced for master's graduates. When universities fail to provide this support, overeducated and mismatched graduates accept lower-wage roles, reducing labour productivity and household income

Source	Countries Examined	Method	Objective	Main findings
Azeem, Khaskheli & Solangi (2025)	Pakistan	Cross-sectional	To assess the impact of entrepreneurship education on reducing unemployment among youth and women in Karachi.	Entrepreneurship education significantly reduces unemployment rates among youth and women in Karachi by enhancing self-employment opportunities and fostering business creation. Where graduate unemployment persists without such interventions, GDP growth is suppressed through lost labour productivity, government revenues are reduced through foregone income tax.
Behera & Raj (2024)	India	Cross-sectional	To evaluate the levels of entrepreneurial skills among agriculture students in Odisha.	Students demonstrate moderate proficiency in entrepreneurial skills in overall and there is a significant gap in key areas such as Credit and Finance and Marketing, with no students achieving a high level of proficiency in these domains. These skill deficits prevent graduates from creating productive enterprises, reducing private investment and constraining GDP growth from the supply side.
Bhandari & Subedi (2024)	Nepal	Cross-sectional	To explore the impact of financial literacy on the entrepreneurial intentions with the mediating effect of saving behavior among the business students in Nepal.	The findings demonstrate that financial literacy significantly influences entrepreneurial intention among individuals. Individuals with higher financial literacy tend to have a stronger grasp of financial concepts, which empowers them to identify and assess potential business opportunities more effectively.
Bilal et al., (2021)	Pakistan	Cross-sectional	To examine and to have deep knowledge of financial literacy and youth Entrepreneurial Intent.	Financial literacy and its two parts (financial attitude and financial knowledge) have a positive impact on Entrepreneurial Intent. This creates a macroeconomic drag: governments face reduced income tax revenues and higher welfare expenditure while the economy loses the GDP growth potential and productive graduate workforce.
Bopagamage & Bopagamage (2024)	Sri Lanka	Thematic Analysis	To analyze the prevalence of unemployment among graduates across different academic streams, with a particular focus on identifying the most affected disciplines and causes of graduate unemployment, particularly the mismatch between academic qualifications and job market demands.	A major cause of graduate unemployment is the mismatch between academic qualifications and labor market demands, especially in terms of English proficiency, IT skills, and practical work experience. The issue is most severe among Arts graduates, who face both limited job opportunities in their field and low representation in competitive public sector jobs, indicating a critical need for curriculum reform and demand-driven training.

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Source	Countries Examined	Method	Objective	Main findings
Choon Wei & Pei Yew (2020)	Malaysia	Panel Data	To examine the evolving trends and key drivers of skill mismatch in Malaysia	The findings reveal a widening gap between the number of graduates entering the labour market and the availability of skilled jobs, driven by an oversupply of graduates and insufficient job creation in high-skilled sectors. This mismatch results in the underutilisation of human capital, hindering productivity, innovation and national economic growth. Socially, it contributes to lower wages, job dissatisfaction and limited career advancement for graduates while eroding public confidence in the value of higher education.
Cortadas-Guasch (2024)	Spain	OLS	To analyze the socio-demographic, academic, and job-related factors influencing mismatch among graduates	The findings indicate that male graduates are more likely to experience skill-job mismatches compared to their female counterparts, suggesting gender differences in how education aligns with labor market demands. Additionally, graduates from humanities and social sciences face the highest mismatch risks, likely due to the less technical nature of their training, which may not directly meet employer requirements.
Dayaratna-Banda & Dharmadasa (2022)	Sri Lanka	Thematic Analysis	To examine both the demand- and supply-side factors influencing graduate employment in Sri Lanka, with a particular focus on (1) assessing the economy's capacity to generate suitable employment opportunities for graduates through an analysis of labour absorption and job growth, and (2) investigating the extent of skills mismatches and the specific attributes or individual factors that affect the employability of graduates in the humanities and social sciences disciplines.	Graduates in humanities and social sciences have not been employable mainly due to the fact that there has been a significant skills mismatch as graduates lack employable skills and attributes. Moreover, unemployment of humanities and social sciences graduates is caused by a number of factors including skills deficiency, occupational immobility, geographical immobility, technology change, a lack of sufficient jobs growth and various structural constraints in the economy. This structural unemployment reduces GDP growth by removing productive labour from the economy, narrows the tax income, and contracts aggregate demand through reduced household consumption.
Dayo, Jatoi, & Shaikh (2023)	Pakistan	Cross-sectional	To determine the role of financial and entrepreneurial literacy in developing graduate entrepreneurial intentions (GEI) among graduates and undergraduates of Larkana and Sukkur universities / higher education institutes	Financial and entrepreneurial literacy positively influences on Attitude Toward New Venture Creation (ATNVC) and ATNVC also has positive influence on graduate entrepreneurial intentions (GEI). Where such literacy is absent, graduates remain unemployed or employed below their qualifications, reducing labour productivity and household income.
Deshani & Hirimburegama (2024)	Sri Lanka	Thematic Analysis	To find the impact of stem education in overcoming poverty and evaluate the STEM education systems in the world and in Sri Lanka.	Mainly, intellectual poverty could be overcome by providing access to knowledge, critical thinking skills, information and technology, while ethical poverty could be overcome mainly by social development and commitment of individuals. STEM is a teaching and learning process that combines Science, Technology, Engineering, and Mathematics and STEAM is the recent inclusion of Arts.

Source	Countries Examined	Method	Objective	Main findings
Esposito & Scicchitano (2023)	Italy	Cross-sectional	To investigate role of personality traits in determining skill mismatch among Italian graduates	Personality traits have a significant influence on the likelihood of job mismatch. Conscientiousness tends to reduce mismatch risk, while openness to experience shows mixed effects depending on the field of study. Overall, non-cognitive skills such as personality traits play an important role alongside traditional human capital factors, with different personality dimensions affecting mismatch in distinct ways.
Fenta (2024)	Ethiopia	Cross-sectional	To examine the economic effects of graduate unemployment in the community and explore the social effects of graduate unemployment in the community of Sekela Woreda, Ethiopia.	Graduate unemployment significantly hinders sustainable national development by creating long-term economic and social challenges. Many graduates remain jobless or underemployed in unrelated fields, leading families to face financial strain and debt as they support unemployed children. Prolonged joblessness has also caused social issues such as family conflict, reduced motivation among youth, and a growing loss of confidence in higher education.
Ferdousi et al., (2025)	China	Thematic Analysis	To examine the influence of business education on university students' entrepreneurial intentions in Bangladesh and to identify the key determinants, challenges, and policy implications for promoting entrepreneurship	The main finding is that entrepreneurial education significantly enhances students' self-efficacy, attitudes, and perceived behavioral control, thereby boosting their entrepreneurial intentions, with business education serving as a key mediator. However, financial constraints, lack of family support, and social norms remain major obstacles, highlighting the need for experiential learning, industry partnerships, and mentorship to translate intentions into action.
Gardiyawasam et al., (2021)	Sri Lanka	Cross-sectional	To identify the causes of gender differences in graduate unemployment and examine the social, cultural, and economic factors influencing unemployment among both male and female graduates	The findings show that male graduates' employability is influenced by age, father's education, satisfaction with education/training, job preferences, job satisfaction, and perceived gender effects, while female graduates' employability is shaped by academic qualifications, family income, satisfaction with education/training, job satisfaction, and personal experiences of gender-related challenges.
Gonzalez Ehlinger & Stephany (2023)	Europe	Descriptive	To examine hiring trends for AI and green jobs, focusing on demand for degrees vs. skills	Employers are increasingly using skill-based hiring, reducing strict degree requirements, and adopting flexible recruitment practices to access a broader talent pool. This structural shift leaves traditionally-educated humanities and social science graduates at a disadvantage, reducing their employment rates and labour productivity.

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Source	Countries Examined	Method	Objective	Main findings
Gunarathne & Jayasinghe (2021)	Sri Lanka	Pre-post Intervention	To identify the factors that affect the duration of unemployment in the Science and Arts stream graduates in Sri Lanka.	For the Arts stream graduates, the family income, the professional courses followed by graduates during their academic years at the university and the participation in extra-curricular activities while in the university were found to be significant. Extended unemployment reduces household income contributions, depressing aggregate demand and narrowing the government's personal tax income.
Huale et al. (2023)	Kenya	Cross-sectional	To assess the Impact of Cultivating Entrepreneurship Culture on Preparation of Undergraduates for Self-employment in Northern Tanzania	The main finding is that promoting an entrepreneurial culture in universities significantly enhances undergraduates' readiness for self-employment. Key factors such as support mechanisms, practical teaching methods, and experiential learning equip students with essential entrepreneurial skills, highlighting the importance of fostering entrepreneurship to address graduate unemployment in Northern Tanzania
Hidayat & Mariah (2025)	Indonesia	Cross-sectional	To investigate the role of the Outcome-Based Education (OBE) Curriculum as a mediator in shaping the influence of financial, digital, and human literacy on student success in entrepreneurial endeavours.	The digital literacy and human literacy play crucial roles in shaping both entrepreneurial success and the effective application of OBE. Where entrepreneurship culture is absent, graduates remain unemployed, reducing labour productivity and GDP growth from the supply side. Unemployed graduates contribute less to household income and aggregate demand, while governments incur increasing welfare expenditure
Husin et al. (2021)	Malaysia	OLS	To examine the influence factors of the unemployment crisis among fresh graduates and affected policy implications for higher education in Malaysia.	The study identified several key factors influencing the unemployment crisis, with economic instability being the most significant. Economic downturns lead to reduced investment, spending, and growth, which in turn results in higher unemployment rates as companies become cautious and limit hiring to avoid further financial risks. Global uncertainties contribute to this instability by creating fear and panic in the markets, discouraging capital flow which often described as "capital is a cowardly creature."
Jayasingha & Suraweera (2020)	Sri Lanka	Cross-sectional	To investigate factors affecting graduate employability in the case of the Rajarata University of Sri Lanka	Gender, professional qualification, English proficiency, training and experience and soft skills are the most influencing on graduate employability while factors like degree classification and IT skills are not significantly affecting the graduate employability. Where these skills are absent, graduates face unemployment that reduces labour productivity, depresses household income, and contracts aggregate demand.

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Source	Countries Examined	Method	Objective	Main findings
Jayathilake (2020)	Sri Lanka	Time Series	To investigate the consequences of unemployed youth on national development.	Youth unemployment reduces GDP per capita and hinders national development. Prolonged unemployment impacts graduates' physical and mental health. Government expenditure affects youth unemployment, but investment in education has not effectively reached the youth. Many graduates are unaware of government programs for employability, vocational training, or entrepreneurship. This creates a structural fiscal imbalance: rising government expenditure on education and welfare, declining income tax revenues from unemployed graduates
Kanakarathne & Jayasinghe (2021)	Sri Lanka	Descriptive	To identify the reasons for underrepresentation of women in STEM Careers in employees' point of view	The findings show that female undergraduates are underrepresented in STEM fields like engineering, architecture, and technology. Major factors contributing to their unemployment include family commitments (52%) and low salaries (44%), along with challenges such as travel difficulties, inflexible working hours, and high workloads. Respondents suggested flexible working hours and equal opportunities for career advancement as key measures to improve female participation and employment in STEM careers.
Khattri, Partner & Khanal (2023)	Nepal	Thematic Analysis	To identify gaps in graduates' skills, knowledge, and competencies relative to labor market expectations, and to assess the demand-supply mismatch in order to develop innovative curriculum strategies that bridge the gap between education and employment	The main finding is that recent management graduates in Nepal face significant horizontal skill mismatches, with their academic qualifications not aligning with job requirements, especially in the financial sector. Key gaps exist in hard skills, technical skills, and specific areas of generic skills, highlighting a disconnect between education and labor market expectations. This curriculum-labour market disconnect reduces labour productivity, depresses graduates' wage levels and household income, and weakens aggregate demand
Kristian et al., (2024)	Indonesia	Cross-sectional	To investigate the impacts, challenges, and opportunities of integrating financial literacy into entrepreneurial training in digital business programs	Students with higher financial competence tend to have greater entrepreneurial ambition, indicating that financial literacy plays a crucial role in fostering entrepreneurial mindset and behavior. Where financial competence is low, graduates remain risk-averse and fail to create enterprises, reducing private sector GDP contribution and aggregate investment.
Kumari et al., (2024)	India	OLS	To examine the effect of financial literacy on the business performance and innovativeness of the micro-entrepreneurs in Delhi-National Capital Region (NCR) in India.	Financial knowledge and financial skills, are the significant determinants of business performance and innovativeness with regards to micro- enterprises registered in Delhi-National Capital Region (NCR) in India. Where financial literacy gaps persist, graduates are unable to establish or sustain businesses, reducing aggregate private investment and GDP growth from the entrepreneurial supply side.

Source	Countries Examined	Method	Objective	Main findings
Liu, Ma & Deng (2024)	China	Panel Data	To examine impact of noncognitive skills on educational mismatch in China and identify policy implications	Non-cognitive skills significantly lower the likelihood of educational mismatch, though their impact differs by gender and urban or rural location. These skills have a stronger effect in reducing overeducation than in addressing undereducation, indicating their crucial role in aligning education with job requirements. Where mismatch persists, graduates face wage penalties and underemployment, reducing labour productivity and household income.
Majid & Banu (2024)	Sri Lanka	Cross-sectional	To examine the specific barriers that prevent graduates, especially from the arts stream, from gaining employment in the industrial sector.	The main finding is that Arts graduates prefer government jobs for their security and benefits, and those with professional training or internship experiences have better job prospects after graduation. However, overall employment opportunities for Arts graduates remain limited in both public and private sectors. This overreliance on government employment creates fiscal pressure as the public wage bill expands while income tax revenues from productive private sector employment are foregone.
Mgaiwa (2021)	Tanzania	Thematic Analysis	To examine how university practices can be improved to foster graduate employability by focusing on four critical areas: developing effective university–industry partnerships, aligning university education with the country's development plans, conducting regular university curriculum reviews, and strengthening quality assurance systems	The study finds that enhancing graduate employability in Tanzania depends on four key university practices: building university–industry partnerships, aligning programs with national development plans, regularly reviewing curricula, and strengthening quality assurance systems to ensure graduates acquire the skills demanded by employers. Without these, graduates remain unemployed, directly reducing labour productivity and GDP growth.
Palliyaguru (2021)	Sri Lanka	Thematic Analysis	To analysis and application of quadruple helix model in context of Sri Lanka's marginal female entrepreneurial ecos? stems as a form of social innovations	The study shows that women entrepreneurs in marginalized Sri Lankan communities are important social innovators, especially after crises like the tsunami and COVID-19. The traditional government–industry–university model does not support them well, as it ignores civil society and gender issues. The Quadruple Helix model, which includes NGOs, provides better support through collaboration, knowledge sharing, and legitimacy. NGOs help connect women entrepreneurs with key partners, and the study suggests regional incubators to strengthen this support. Overall, the Quadruple Helix model is more effective for empowering women entrepreneurs, and policy changes are needed to build a more inclusive ecosystem.
Patel & Judan Fernandes (2024)	India	Thematic Analysis	To examines India's skill development and education policies, challenges, and potential for global leadership	The main finding is that India faces significant gaps between education, skill development, and labor market needs, emphasizing the urgent need to update curricula, reduce regional inequalities, and align educational and skill development programs with economic demands to build a more employable and competitive workforce.

Source	Countries Examined	Method	Objective	Main findings
Rifas et al., (2025)	Sri Lanka	Thematic Analysis	Evaluate the Efficacy of Stem /Steam /Metals as Comprehensive Strategies in Sri Lanka Education System	The main finding is that a persistent mismatch exists between the skills gained through education and the needs of the job market, leading to unemployment and low income. The study stresses the urgent need for educational reforms to strengthen soft and technical skills, particularly in STEAM/METALS fields and initiatives for structured guidance and counseling services to enhance student development and career readiness. This skills mismatch reduces labour productivity and GDP growth, as underemployed graduates contribute below their human capital potential.
Salmon (2024)	UK	Thematic Analysis	To critically examine how skills mismatch is conceptualized in England's Lifelong Loan Entitlement policy	The study finds that labor and education policies define skills mismatch ambiguously, emphasizing individual responsibility and framing unemployment as a personal failing. Labor, Learning, and Employment (LLE) policies treat skills gaps as individual deficits, while the focus on flexibility obscures structural issues like labor market segmentation, limited job creation, and weak education–industry alignment.
Shabangu & Madondo (2024)	South Africa	Thematic Analysis	To analyse the underlying factors contributing to persistent graduate unemployment, with a particular focus on curriculum structure within different disciplines	The findings highlight that a mismatch between university curricula and labor market needs is a major cause of graduate unemployment. Many graduates lack practical skills and work experience due to limited internship opportunities. Inadequate career guidance and support services further hinder job readiness, while economic constraints and job market saturation make it difficult for even qualified graduates to find suitable employment. This structural unemployment reduces labour productivity and GDP growth by preventing graduates from contributing their human capital.
Vera-Toscano & Meroni (2021)	European Union (multi-country)	Cross-sectional	To disentangle age, period, and cohort effects on overeducation and skills mismatch in European labor markets	Overeducation tends to increase with age as individuals may remain in jobs that do not fully utilize their qualifications, and it is more pronounced among recent cohorts entering the labor market due to factors like expanded higher education and slow job growth. Economic crises further exacerbate mismatch by limiting suitable employment, forcing individuals into roles below their skill level. Importantly, overeducation is not confined to youth; structural labor market constraints, such as limited high-skill job availability and poor alignment between education and industry, cause mismatch to persist throughout adulthood. This persistent mismatch reduces labour productivity, wages and household income.

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