

Policy for Employment in Nepal

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Background And Overview

The striking characteristic of Nepal's employment structure is the lack of specialization with 94.3 percent of the labour force engaged in agriculture. Unemployment in a developing country like Nepal might be the result of operation of various causes, that is, the size of the population, the gradual disappearance of handicrafts and small agro-industries, the inadequate development of non-agricultural occupation and the evils of the education system largely unrelated to the demands of everyday life. The root cause, in addition to many factors, is poverty, caused by whole set of factors which have been operative for a long time. In fact, twin problems of mass poverty and unemployment have attracted world attention during the last few years. The deep and widespread concern about them has prompted the international community to take specific action to the developing countries to alleviate the condition of acute poverty. In October 1970, the United Nations General Assembly, in its resolution on the strategy for Second Development Decade, stressed that the ultimate purposes of development were to provide increasing opportunities to all people. In July 1972, the Economic and Social Council urged Governments to assess the magnitude and causes of mass poverty and unemployment and pre-

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pare action programmes to eradicate these ills. Since then both international and national actions are being taken in formulating appropriate policy for employment, particularly in the developing countries.

Poverty in Nepal prevails both in the rural and urban areas, the degree of poverty exceeding in the rural areas. In a similar way, the emergence of underemployment, which is a state of low labour productivity or sporadic employment is quite significant not only in agriculture but also in the traditional segments of the industrial and service sectors.

This paper tries to discuss the employment problems in Nepal on the basis of the existing labour force. Against the background of planning for employment as provided for in the Development Plans, an overview is offered for some projection of active labour force and orientations to the future policy. As no general survey of labour utilization in the country's urban areas has been carried out, the extent of underemployment cannot be ascertained. Similarly, the only data available on days spent in agriculture are for days spent in agricultural production activities. Therefore, while planning economic development in such a country, one can not have a full employment policy unless capital formation reaches appropriate proportions.

The Labour Force

In any country, a rapid increase in population has important implications on the size, composition and occupational structure of the labour force. Until 1961 in Nepal, there was no reliable statistics on the employment situation of the country. For this, a clear-cut and uniform definition of labour force is always a starting point. According to the US Department of labour and the US Bureau of Census, the labour force is the non-institutionalized population, 16 years of age or older that either is employed or is not working but is looking for work. However, in Nepal even with regard to the definition of the size of labour force both the Population Censuses of 1961 and 1971 were not quite uniform. While the 1961 Census included only 15 years and over age group for reckoning the economically active population, the 1971 Census included 10 years and over age group as well in reckoning the size of the labour force.¹

1. UNDP—ILO Inter Regional Project, Planning and Administration of Special Public Works Schemes: Country Report-Nepal, National Planning Commission, HMG, Kathmandu, 1976, p. 8.

Therefore, in the absence of any reliable and comprehensive labour force surveys in the country, one has to depend on the 1971 Population Census. It collected data about economic activity of 10 years and over age groups of the population to indicate the size of the labour force. The 1971 Census recorded 8.1 million people in the 10 years and over age group of which males and females constituted just about equal proportions. Of this, some 4.8 million people or 59.3 per cent constituted the active labour force in 1971. The 1962 Census of Agriculture reveals 92 per cent of rural households as farmers; of these 1.4 per cent had no land and a number of others either had non-agriculture as their main occupation or a non-agricultural secondary occupation. It is estimated that the total labour force in 1977 was 7.6 million which represents about 58 per cent of the estimated population. This labour force is expected to increase to about 8 million by 1980.

Employment and the Development Plans

In all the Development Plans, the solution of unemployment problems has been merely one of the objectives, though compared to the previous Plans, the recent plans appear to be more specific.

The first Five Year Plan launched in September 1956 accepted that the central purpose of the programme was to raise employment. The Plan mentioned that production must expand by an equal rate of the increase of population which was estimated at 1.5 per cent per year, even to maintain the standard of living existing at that time. However, the Plan did not contain any policy for concrete employment efforts.

The Second Plan implemented in July 1961, tried to look at this problem more seriously, and estimated that economically active population was as high as 56 per cent of the total population in Nepal. In consideration of the prospect of adding new entrants to the labour force, the Plan sought to bring about a shift in the distribution of population.

Third Five Year Plan, which came into operation in July 1965, had one of the primary objectives to transfer labour from agriculture to other sectors. Assuming that the labour force increases at the same rate as the population, and in the same proportion for agriculture and other sectors, the Plan mentioned that the pressure on agricultural occupations will increase. Therefore, it recommended that employment opportunities outside of agriculture must expand,

not only to stimulate economic growth but also to maintain income levels. The Plan defined the labour force as the group above the age of 15, and total in 1965 was estimated to be 4.3 million.²

The Fourth Plan, implemented in 1970 also gave priority to having an appropriate policy for employment. It accepted that the main objective of economic planning should include the provision of employment opportunities to those looking for employment. The number of persons of working age, that is, between 15 to 59 years at the time of the beginning of the Plan, was 6.07 million. However, in the absence of any employment survey, the Plan document accepted that it was difficult to ascertain the total unemployed population in the country. The Plan also accepted that since most of the population is dependent upon agriculture for its livelihood there is much unemployment in the country; and if sufficient employment opportunities cannot be created for the increased labour force in the non-agricultural sectors, the unemployment problem might take an unpleasant trend.

Generally, in all the previous Plans no specific attention was given to the unemployment situation. Nor were there specially designed programmes which would result in almost immediate improvement of the employment problem, at least in some sectors and regions or among particular types of workers.

For the first time, on a more systematic basis, the Fifth plan launched in July 1975 recognized that the creation of employment had been lagging behind in comparison with the recent trends in development of the country. In the arrangement of the order of things, the plan tried to have consistencies from the standpoint of the employment potential. It was thought desirable to create more employment opportunities in agriculture through the extension of cultivable land, introduction and expansion of intensive methods, distribution of proper land ownership, more secured tenancy rights, improved agricultural inputs, efficient utilization of land and water along with measures like the strengthening of institutions and organizations. Basically, the plan emphasized on labour intensive technology.

Another important feature of the policy measures for realizing employment objectives was to make extensive use of local labour and internally available materials, and also to

2. The Thdir Plan (1965-70), National Planning Commission, Kathmandu, 1965, p. 48.

encourage piecemeal contract, as far as possible, in the construction sector so that the volume of employment in this sector would be maximum possible. The plan also intended to encourage the educated people to be mostly self-employed in different fields and different processes of production and distribution.

The Fifth Plan is an improvement upon the previous plans in offering a systematic approach to employment policy, and it has targets for all the projects included in it, still the feasibility studies for the proposed schemes are not available which could have indicated the labour components of the individual projects. Second, the Fifth Plan mentions that one of the objectives is to maximize the labour utilization. But it may not be possible due to the shortcomings in organizational structures to undertake large-scale labour-intensive projects, lack of detailed evaluation of capital/labour ratio for each project, and the nature of technology both for domestic and foreign-aided projects. Third, it is mentioned in the introductory chapter of the Plan that through annual programming many projects and programmes will be further specified in detail, and there is scope for enhancing the level of development activity through maximum utilization of labour force. But in the past four years not much seems to have been done by the Planning Commission with regard to systematic specification of various projects in relation to labour force.

Projected Labour Force

On the basis of the above findings, the draft of the Sixth Five Year Plan also regards gradual elimination of absolute poverty through employment opportunity, and much of the approach in the Plan with regard to employment policy is influenced by a recent study conducted by the National Planning Commission. The strategy of gradual elimination of absolute poverty through increased national production requires maximum utilization of human labour. The Plan draft outline rightly mentions. "The overriding objective is to raise the living standard of the people below the poverty line by providing maximum opportunities with all development programmes being directed towards their end."³

Accordingly, one of the major policies of the Sixth Plan draft outline relates to strategy for increasing employment which is concerned with providing extensive irrigation facili-

3. Basic Principles of the Sixth Plan, National Planning Commission, HMG Kathmandu, April 1979, p. 18

ties, and suitable land reform measures. It also expects to develop employment and income-generating activities like livestock farming, bee keeping in the agricultural sector and construction works or cottage or small-scale industries in the non-agricultural sector. The plan thinks it also necessary to create supplementary jobs, suitable to local conditions, both within and outside the agricultural sector. Thus, it is envisaged that all investment programmes, whether it is public or private or the panchayat sector will be made employment cum and production-oriented to the greatest extent possible. Following this in a systematic way, the Plan draft has set forth some preliminary physical targets with regards to employment policy. Since the magnitude of the underemployment problem in the rural area has reached a serious dimension, the investment programme as envisaged in the various economic and social development sectors is expected to generate gainful employment opportunities in the amount of 2345 thousand man-year or 642.4 million man-days during the Plan period.

The National Planning Commission conducted a countrywide survey in 1976/77 on employment, income distribution and consumption patterns. The Survey reveals that only 96.76 per cent of the heads of the households are having occupation in some form or other, and 9.23 per cent of them are without any occupation. Among the household heads engaged in different types of main occupation, 76.39 per cent are farm/fish workers, 6.91 per cent are production labourers, 2.42 per cent are service workers, 1.68 per cent are sales workers, 2.67 per cent are clerical workers, 0.09 per cent are administrative workers, and 0.56 per cent are professional/technical workers. There is predominance of farm/fish workers in Nepal; their percentage or number within the region is quite different, and it ranges from 81.72 per cent in Far-western Region to 72.45 per cent in Central Development Region. Combining both rural and urban areas 90.70 per cent of household heads have some type of occupation or the other. At the national level, 67.07 or the highest percentage of household heads are found to be engaged in farm/fish occupation. The percentage of the household heads in other occupation was 9.10 per cent in production labour, 2.80 per cent in service, 4.85 per cent in sales, 5.71 per cent in clerical, 0.08 per cent in administrative and 1.09 per cent in professional/technical occupation.⁴

It is projected that the number of economically active people both in rural and urban areas of the country is likely to increase from 7.58 million in 1977 (7.33 thousand in rural

4. Report p. 38.

areas and the rest in urban areas) to 8.08 million in 1980 (7.82 million in rural areas and 251 thousand in urban areas). This will necessitate creation of additional jobs in the beginning of the Sixth Plan period (1980) to the tune of 28.2 thousand for unemployed, i.e., from 418.7 thousand backlog of unemployed in 1977 to 447.9 thousand unemployed in 1980. Unemployment in the rural areas will increase from 405.4 thousand in 1977 to 432.5 thousand in 1980 and from 14.3 thousand in urban areas in 1977 to 15.4 thousand in 1980.

The increase in labour force will also necessitate creation of additional jobs for underemployed especially in lean season in the beginning of the Sixth Plan period (1980) to the tune of 275.0 thousand, i.e., from 4502.01 thousand backlog in 1977 to 4777.0 in 1980. The additional jobs needed during lean season of 1980 in the agricultural sector will be in the neighbourhood of 267.6 thousand, while in the urban areas only 7.5 thousand additional jobs will be needed. This indicates an increment in the total persons underemployed in rural areas from the backlog of 4380.61 thousand in 1977 to 4658.2 thousand in 1980 and in the urban areas from the backlog of 111.4 thousand in 1977 to 118.8 thousand in 1980.

Conclusions

In the overall context no doubt, in recent years creating employment opportunities to match the growing labour force has continued to be a major goal of the authorities. It is seen from the foregoing that the total labour force has almost doubled (4.3 million in 1965 and projected 8.08 million in 1980) during the last fifteen years. In fact, in the past the sectoral transformation of the labour force is disappointly low. Therefore, this will have to be tackled more seriously in our planning. The present planing strategy needs to be substantially changed if the problems of mass poverty, unemployment, and disparity in income are to be overcome. Obviously, this will involve reorientation in development priorities. Mass poverty is essentially the reflection of the failure of past development strategies.

Looking ahead one feels that there are some areas in which, even with its very limited financial resources, His Majesty's Government can help to generate employment in the best possible ways in the coming years. Nepal's economy continues to be basically agricultural with over 94 per cent of the labour force engaged in this sector. Therefore, in the first instance, in view of this fact, even within the agricultural sector as well as outside the sector, it is important

to give more attention to two areas of rural non-agricultural activities. They are industries and handicrafts, and local stimulated small-scale infrastructural schemes. At present, there has been very low level of specialization in non-agricultural activities in rural areas, even though part-time handicraft production is wide-spread, and the country has a long tradition in various crafts and household industries.

The role of agriculture in generating income and employment needs to be understood in the proper perspective. Attention should, in particular, be given to providing essential inputs to small farmers, to implementing effective agrarian reforms, and to promoting massive works programmes to generate employment. Public works programmes, particularly those designed to create durable rural infrastructure in irrigation, roads etc. ancillary occupations in poultry, dairying and rural crafts, encouragement to rural entrepreneurs in small industries should be accepted that there is the need for ensuring that programmes are designed and executed for the benefit of the very poor in the villages instead of allowing the fruits of generalized development to be taken away by the rural rich. In the Republic of Korea the considerable underemployment which existed in the early 1960's, especially in rural areas was largely obscured by the distribution of family-oriented agricultural and handicraft tasks among the workers available while the distributional effects of outright unemployment were to some extent mitigated by the strong traditional system of family support. Perhaps, in Nepal also some policy adjustments could be initiated along these lines.

Programmes for research and study should be initiated to determine these components of the minimum level of living and to identify those sections of the population whose consumption standards do not meet the minimum standards of living.

There should be a system of periodic data collection on various social and economic variables, including those which indicate changes in the components of the level of living, distribution of income, unemployment and underemployment. These data should be used as a basis for government action to alleviate further the conditions of mass poverty.

Finally there should be no duplication of efforts at the national level which results in a wastage of resources that a developing country like Nepal can ill-afford. This could be avoided by complete integration at the planning level and efforts should be made to achieve such

4. **Planning and Administration of Special Public Works Schemes: Country Report-Nepal**, National Planning Commission, His Majesty's Government Kathmandu, 1976.
5. **Talk Force on Employment**, National Planning Commission, Kathmandu, 1974.
6. **The Challenge for Nepal: Growthwith Employment**, A Mission report by the Asian Regional Team for Employment Promotion: Bangkok, July 1974.
7. Various Publications of the National Planning Commission.
8. Y.P. Pant, "Planning for Employment in Nepal" in **Far Eastern Economic Review** Hongkong, 1960.