

CHANGING PATTERN OF EMPLOYMENT IN NEPAL

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ABSTRACT

Employment is for livelihood and securing the lives of people. Unemployment is most raised issue in Nepalese economy but remaining unsolved. Poverty reduction and employment creation had been raised in each past periodic plan. Study was done to assess the changing pattern of employment for analyzing the sectoral involvement of labour force, efficacy of policies, strategies and implication of policies for addressing the labour and migration issues in Nepal. Relevant secondary data from different sources were used for the study. Study shows youth unemployment rate is decreasing. About 66% of the total employment is dependent on agricultural sector which is in the decreasing rate as the slow transformation of agriculture-based economy to modern economy. Around 56% of household receives the remittance, inflow of remittance is in increasing trend to fiscal year 2016/2017 but it shrinks in 2017/2018. *Bagmati* and *Karnali* province had higher and lower number of working age population respectively. Similarly, greater unemployment rate found in Province 2. In first eight months of the Fiscal year 2017/18, 12,622 people have been provided the orientation training and 658 people have been provided skill-based training through youth and Small Entrepreneurship Self-employment Programs. Government launched Prime Minister Employment Program (PMEP) at national level in fiscal year 2019/2020. Vicious cycle of remittance, poor sectoral growth, low labor productivity, poor policy implementation are key factors for unemployment. There is urgent need for domestic job to absorb labour force. Youth and marginalized community targeted program, skill development and enhancement program should be emphasized from government level.

Keywords: *agriculture, employment, labour migration, livelihood, remittance*

INTRODUCTION

Employment plays vital role in the livelihood of the people. It secures the lives of individual and their family. Employment can differ from the class of people. Employment level determines the economic status of the country (ILO, 2013). Developed countries with the advanced economic status have the less unemployment rate. Many policies of the country are associated with the economic development. There is the increase in the priority towards the growth of the employment after 2006 in Nepal.

With the aim of the productive, non-discriminatory, exploitation free and healthy work for the working age people labour and employment policy was introduced in Nepal in 2006, followed by the enactment of national labour act in 2017. About 65.6% populace of Nepal depends on agriculture (AICC, 2019). Disguised unemployment is prominent in agriculture sector due to the seasonal nature of the field activities. Agriculture labour is the source of income for the people in rural areas of Nepal. Labour migration for the work in foreign countries can also be seen among Nepalese people. Most of the agricultural labor force get employed during the peak season and lacks the employment in the slack seasons. Unemployment is being the serious problem in Nepalese economy. The issue that has been raised for multiple times but can't be solved. Lack of the implementation of internal and external reform policies in addition with the short lived government, particularly after the country formally opened its economy to maintain its pace in tandem with the waves of globalization and liberalization in the era of 90s and after, failed to create a level playing

field which can achieve and sustain significance economic growth in the country for every eligible citizens of the country.

Poverty reduction and employment creation has been the most important strategic goal of the planned development efforts made in the past two decades. In this context, it is not problem to achieve the high rate of the employment but it is almost challenging task to attain the high rate of the productive employment in the country (NPC, 2012).

Remittance is the major source of income in the country. Different periodical plans and strategies focused on the poverty alleviation through the out migration of labour. Nepalese people going to the foreign countries is increasing. Nepal was the fourth highest remittance recipient, as a share of GDP, among all countries and ranks first among the South Asian Association for Regional Cooperation (SAARC) in 2017 (World Bank, 2017). Though there are significant inflows of remittance in the country, most of these resources have gone into consumption and loan repayment rather than productivity enhancing sector (Maharjan et.al., 2013, Thapa & Acharya, 2017). Global unemployment is expected to rise by 2.5 million by 2020 (ILO,2019). As per the Nepal labor force survey 2017/2018, the youth unemployment rate is decreasing due to the outmigration of the youth in foreign employment due to the enactment of the new labor policy, 2014, the terms and conditions get improved. More than 450 thousand Nepalese youth migrate for the labor market annually (NPC,2017). The crucial causes for the increment of the labor force were the population growth, and it is seen the increased proportion of female out migration for labor market (Pyakurel, 2015).

Despite of the above status, number of the problems are prominent due to small growth and structural rigidity in both economic and employment fronts. For this there is the need of the serious and rigorous analysis for the identification and implementation of the policy from the planning level for the enhancement of the productive employment.

There are few studies which have tried to evaluate and determine the employment and labour issue in Nepal. Decrease in the labour productivity as the result of low employment elasticity (0.363) which reduce the overall labour productivity after 2000 AD (Khanal, 2015). In this context, this study was designed to assess the scenario and changing pattern of employment status, to analyze the sectoral involvement of the labour force, and to evaluate the efficacy of the policies and strategies for addressing the migration issues in the Nepal.

MATERIALS AND METHODS

The study was based on the secondary data. Relevant data from the reliable sources like; Nepal Rastra Bank, Central Bureau of Statistics (CBS), Ministry of Finance (MOF), Ministry of Labour and Employment and Department of foreign employment had been taken into consideration. Descriptive and analytical designs of researches were considered.

RESULTS AND DISCUSSION

Scenario of labour market and employment

The employed population in fiscal year (FY) 2008/2009 was 97.89% as compared with the FY 1988/99 i.e. 98.15%. Similarly, the unemployed population is increasing in FY 2017/18 (11.36%) as compared to the FY 2008/09 (2.11%). It might be due to the rapid population growth inside the country and the limited opportunities available for the people. It is in line with the study of Pyakuryal (2015) who stated that the crucial causes for the increment of the labor force were the population growth which increases the proportion of female out migration for labor market. His study further supported that the political instability occurs

even after signing the peace accord between conflicting parties and Nepal government which ultimately affects the macroeconomic indicators viz; investment, employment etc. inside the country. According to the latest labor force survey, unemployment rate in Nepal is 2.3 percent and semi-unemployment rate is 30%. Similarly, the youth under-employment rate is 35.8%.

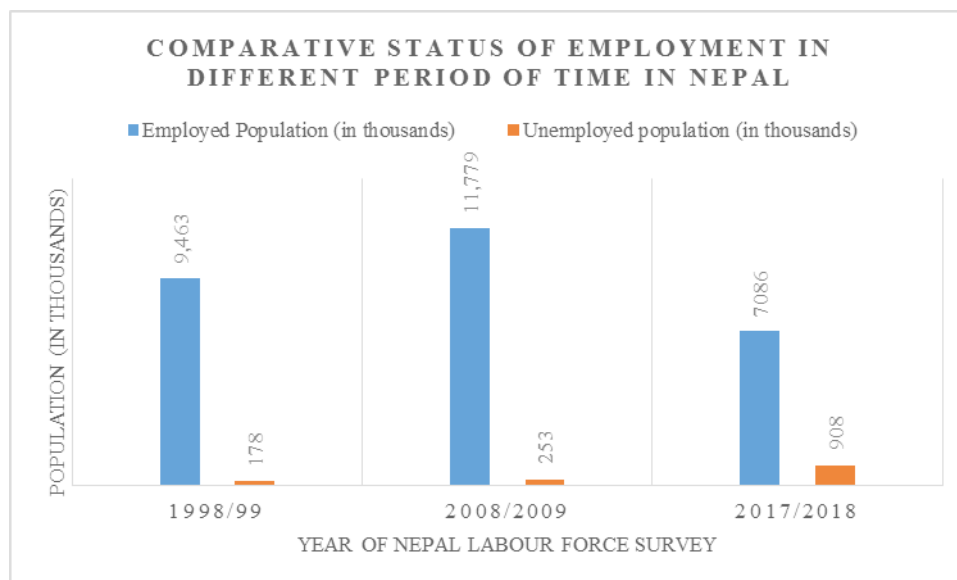


Figure 1. Comparative status of employment in different period of time in Nepal

Source: NLFS, 2018/CBS, 2018

The unemployed population is in increasing trend from 1998/99 (178 thousand), 2008/2009 (253 thousand) and 2017/2018 (908 thousand). The unemployment rate is increased as per the population increment. It is supported by the ILO's country report for Nepal that open unemployment increased from 1.8% in 1998/99 to 2.1% in 2008 (Islam, 2014).

The youth unemployment rate is in decreasing trend. It was found that 2.74% in 1998/99, 2.19% in FY 2008/2009 and 2.14% in 2017/2018. Most of the Nepalese youth were attracted towards the foreign job. It is supported by the findings of National Planning Commission (NPC) 2017 that above 4.5 lakhs Nepalese youth involve in the labour market yearly. After the enactment and implementation of the Employment policy in 2014, youth outmigration is increasing which ultimately reduced the youth unemployment rate inside the country.

Sectoral composition of employment

About 67% of the total employment is dependent on the agriculture but the agriculture based economy is transforming slowly to the modern economy. Agriculture has the significant contribution in the economy of the country. Industrialization is low as compared to agriculture which represents the traditional and less diversified economy of the country. Self-employment in agriculture is predominant which accounts for the 61% of the total self-employed population inside the country (CBS, 2011).

Around 11% of employment level accounts for the non-agriculture industry and 25.4% in the service sector in 2013. The share of the industry as compared to the 2008 was found to be almost same in 2013. It could be due to the poor performance of the export-oriented industries, free border with the India, not formalized trade border with the China, low infrastructural development makes the product uncompetitive in the world. The result is in line with the Sapkota (2018), mentioned the similar reasons behind the least industrialization inside the country.

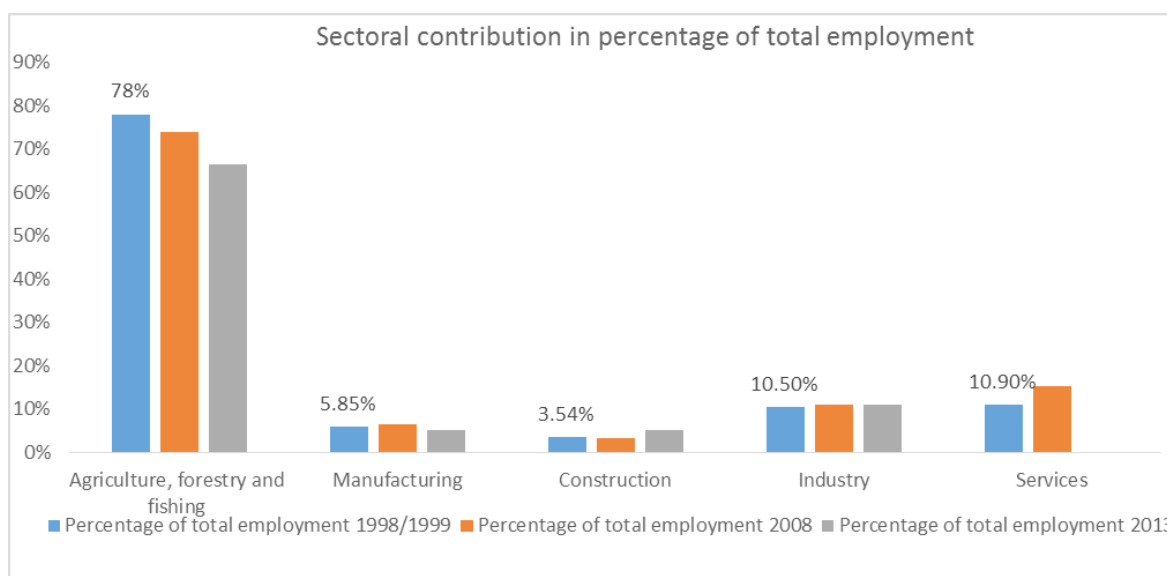


Figure 2. Sectoral contribution in percentage of total employment

Source: Islam, R. (2014); CBS (2014)

Significant decline in the construction sector of employment from 1998-2008 might be due to the armed conflict of Maoist, political instability, short lived government etc. But increase in the employment opportunities in the construction sector after 2008 might be the re-construction of the private and public construction industries (Islam, 2014).

Increased outflow of the labor force from the low productive agricultural sector to the service sector increases the employment in the service sector and causes the stagnancy in the industrial sector (Sapkota, 2018). Service sector composed of informal activities in Nepal. We can still observe the Nepalese economy is occupied largely with the informal sectors. About 37.5% of GDP of Nepal comes from the informal economy, greater in South Asia (World Bank, 2011). More than two-third of the informal sector employment accumulated in the rural areas and put more pressure on the rural people difficult to escape from the poverty trap (Sijapati, 2015). Banking sector, public, transportation and communication sector are more formalized sector

Age profile for different component of working age

There were 20.7 million people of working age (15 years and older), and 70% of employed population were aged between 15-44 years. It might be due to youth (age between 18-40) had the trend of outmigration for the supply of labour is high, major fraction of the economically active population were between 15-44 age group. These people are involved

in the service sector, business and industrial sector as well. The result is compatible with the findings of (NPC, 2017); Islam, (2014) and NPC (2017). The share of individuals aged 15-24 is the largest among the unemployed people. It can be said that the individuals aged 15-24 constitutes large number of students. More than 1.5 million students were included in this age group as supported by the report of ministry of education, science and technology of Nepal, (MOEST, 2017)



Figure 3. Age profile for different component of working age

Source: Nepal Labour force survey, 2018

Foreign employment and remittance

The number of migrant workers continues to decline steadily after peaking in FY 2014. Outbound migrant workers decreased by 32.6% because of a massive drop in outmigrants to Malaysia (9,999 in FY 2019 versus 104,207 in FY 2018 (MoF, 2018)). The government stopped issuing labor permits to potential migrant workers to Malaysia to implement the G2G deal, which ensures cost-free migration and labor rights. But it is not implemented as expected. Moreover, outmigration for work to all major destinations except Japan, Afghanistan, UAE and Saudi Arabia decreased in FY 2019. However, this has not led to a decrease in remittance inflows probably because more migrant workers are using formal banking channel to remit income back home and that Nepalese residing or studying in developed countries are remitting more money back home. Remittance inflows reached US\$7.8 billion, which is equivalent to about 26.8% of GDP. Among all destination countries Malaysia, Qatar, Saudi Arabia, UAE and Kuwait were top five countries for Nepali worker from long time back. In addition, USA, UK, EU and Japan were minor destinations. India was considered as the destinations of traditional unskilled labor. Out of total foreign employment, skilled workers are 1.5 percent, semi-skilled workers are 24 percent and non-skilled workers are 74.5 percent. Institutionally, 110 countries have been opened for foreign employment. However, more than 167 countries have been opened for the purpose of foreign employment by personal initiatives. In the current FY there has been an agreement on immigration labor with Jordan (MoF, 2018).

Trend of remittance in Nepal

Legally, 1026 people per day depart for the overseas job (World bank, 2017). Remittance inflow increases continuously to the fiscal year 2016/2017 but it shrinks in the fiscal year 2017/2018. Amount of the remittance fell in the fiscal year 2017/2018 due to the gulf countries were affected by a serious political crisis that threatens to escalate into a war, are not hiring as many migrant workers as like the couple of years ago. Although the Nepalese who went overseas for employment in the first four months in fiscal year 2017/2018 fell by just 1% over the same period last year, Nepalese outmigration to gulf countries like Qatar and Saudi Arab declined drastically: 23.58% and 49.98% respectively (Himal Khabar Patrika, 2018). After a Saudi Arabia-led coalition of West Asian countries began to blockade Qatar during that year, there is trouble which ultimately leads the Nepalese worker not receiving the salary for four months.

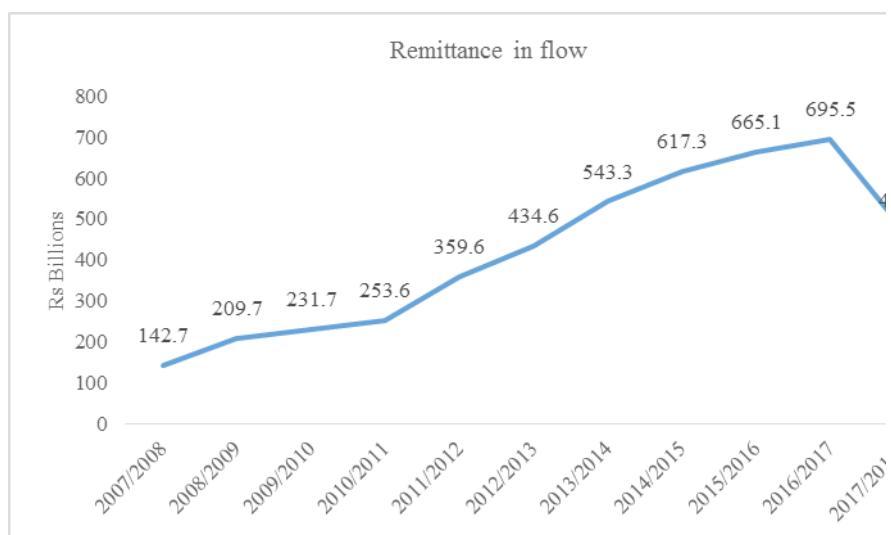


Figure 4. Remittance in Nepal

Source: Economic survey, 2018

About 56 % of household receive the remittances from the foreign countries. About one-third of households had at least one member in foreign countries equivalent to 8.7 percent of the population (CBS, 2019). The money earned by the unskilled labor is less as compared with the income earned by the skilled labor. The policy was also designed for the skilled ones as they can earn the large incomes. But the migration is more for the unskilled one than the skilled one. Most of the people from the Karnali and Sudurpaschim province migrate towards India for working as most of the migrants towards India constitutes the unskilled one.

Labour force on the provincial basis

Labour force are the person comprised of both employed and unemployed i.e. employed person who are considered as unemployed. According to the third Nepal Labour force survey (NLFS) in FY 2017/2018, 20.7 million of the people are under the working age. Among the 20.7 million people of working age, 12.7 million were not in the labor force (61.3%). About 8 million people were in the labor force (7.1 million employed and 0.9 million unemployed).

The working age population not in the labour force were found more than 50% in all seven provinces of the country. We can see the improvement in employed labour force percentage which was 69.94% in second NLFS in FY 2008/2009. It might be due to the rejuvenation of Nepalese labour market after the armed conflict, re-establishment of the industry and significant increment in the involvement of the Nepalese people on the economic sector as indicated by the Islam (2014). Furthermore, after the enactment of the National Employment Policy in 2014 and increment in the outmigration of people to supply the labour also improve the employment status of the country. Although, we even can't find and catch the possible roadmap for the improvement of the economy to absorb the surplus labour force.

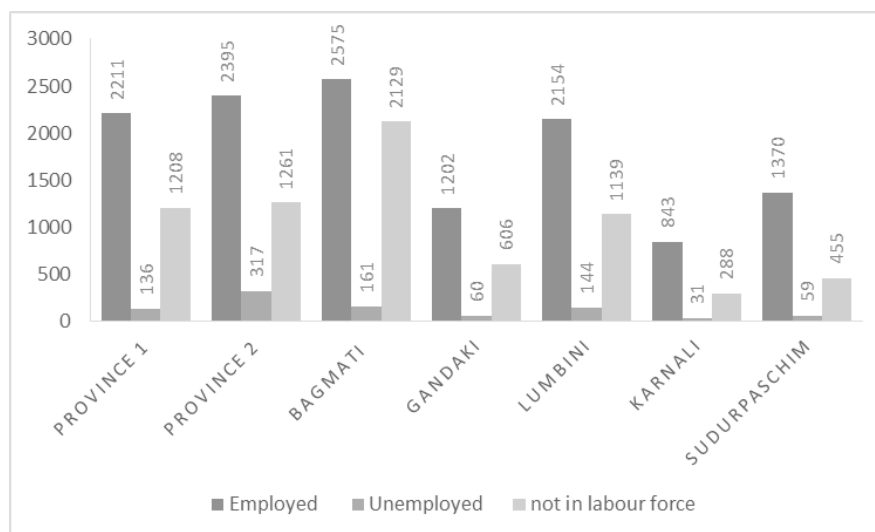


Figure 5. Province level labour market indicators

Source: NLFS, 2018

In Bagmati Province, 23.45% of the working age population reside followed by the Province 2 and Province 1. About 43.76% was employed in the Bagmati Province which was high among all the provinces. The capital of Nepal is located in Bagmati Province where most of the economic activities occurs, a greater number of people are found employed. Similarly, Karnali province had a smaller number of the working age population (5.6%), as the population is less in the province and most of the people of Karnali province migrate to India for labour.

In Gandaki and Karnali Province, there was no remarkable gender inequality as among the other provinces. The unemployment rate is lower for female as compared to male counterparts. The labour force participation rate and employment-to-population ratio was higher among males than among females (NLFS, 2018).

Unemployment rate and employment to population ratio

The unemployment rate of Nepal was 11.4% (MoF, 2018). The highest unemployment rate was among 15-34 years. About 21.4% of 15-24 years age group were unemployed and for 25-34 years age group it was 12.7% (CBS, 2019). Table 3 shows highest unemployment rate was in province 2 (20.1%) and the lowest in Bagmati Province (7%). As discussed earlier the capital city of Nepal lies in Bagmati Province and most the economic activities occur inside

this province and greater portion of the population are employed i.e. 43.8 %. Furthermore, a greater number of people resides in the Bagmati Province. Large unemployment rate is found in Province 2. From the table 3 we can say that large section of the working age population in fact did not work in the reference week, either because either the people don't seek for the job or they even don't want to initiate the business. One of the reasons is that most households have the self-employment of the agricultural sector and the households' production is mainly for the consumption with in the household.

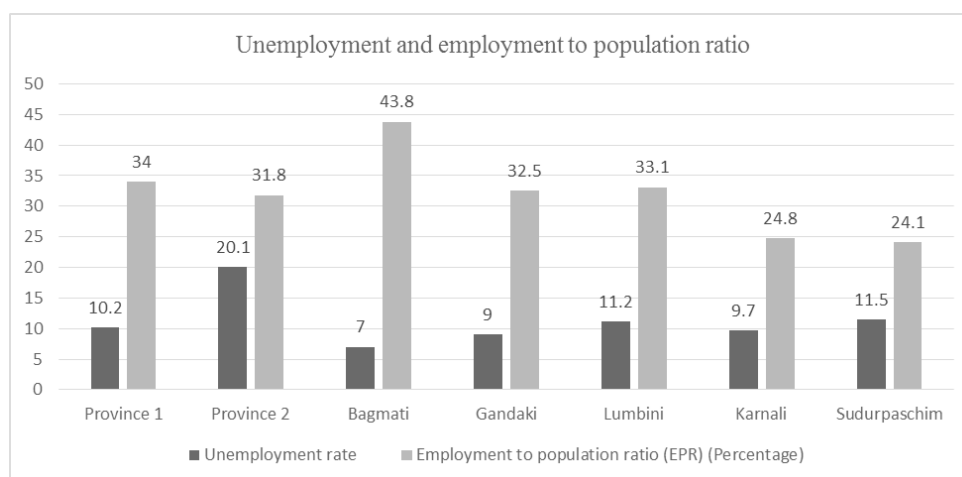


Figure 6: Provincial basis of unemployment rate and employment to population rate

Source: NLFS, 2018

Self-employment status in country

For the purpose of self-employment to poor and unemployed youth, there is a provision to provide a maximum of Rs.200 thousand without any collateral/securities through Youth and Small Entrepreneurship Self-employment Programs. The targeted categories within this program are the un-employed youths from the age group 18 to 50 years. Rs. 3.02 billion has been recovered out of the investment of 5.8065 billion by the first eight months of the current FY. In the first eight months of the current FY, 44,810 people have been self-employed (MoF, 2019). By the first eight months of the FY 2017/18, 12,622 people have been provided the orientation training and 658 people have been provided skill-based training through Youth and Small Entrepreneurship Self-employment Programs. Similarly, 1,732 people, 109 people and 165 people have been provided follow-up training, volunteer capacity enhancement training, and on-the-job training, respectively.

Programs from the government side for employment generation

Karnali Rojagar Karyakram is in operation in 5 districts of Karnali Province and in Bajura district. In the FY 2016/2017 35,17,860 working days have been created by this program and provided seasonal employment to the unemployed residents of Karnali. Additionally, 2,449 small projects (roads, school buildings, small micro hydropower repairing, foot trails, fruits and herbal farming) have been completed from this program. In the first eight months of the current FY, six rural roads have been constructed. During this period, irrigation, small hydropower, school buildings and income generation programs are also in operation. From this program, employment have been created for at least one individual from each targeted

family equitable to 41.5 days annually. The programs which were demanded by the targeted group for the small rural infrastructure program like drinking water, irrigation, well-repairing, foot trails and other income generating activities have been conducted in the FY 2016/17 under “Garib Sanga Bisheshwar Karyakram”. Rural road construction and small income generation promotion activities have been operating from Rural Community Infrastructure Development Program in 21 districts. a total of 13,059 people among which 3,509 female and 9,550 males have got skills development training (MoF, 2017). Government launched Prime minister employment program (PMEP) at national level in fiscal year 2019/2020.

CONCLUSION

Labour migration is the major source of livelihood for the Nepalese people. Agriculturally based economy is dominant inside the country followed by industries manufacturing and construction. Highest number of the unemployed was found in 15-24 years’ age group. Remittance played the crucial role to run the economy particularly at augmenting the savings rate of the country. Province 2 has the higher unemployment rate and Bagmati Province with lowest unemployment rate. Skill development program, self-employment program (youth targeted program), Karnali Rojgaar Karaykram etc. are the programs launched from the governmental side in order to increase the employment rate in the country. Vicious cycle of remittance, poor sectoral growth, low labor productivity, poor implementation of the policies are the major factors enhancing the unemployment inside the country.

More number of working age population are unemployed, significant number are involved in the foreign employment. It is essential to focus on the creation of the domestic jobs. The employment rate of Nepal is 68%. So, to maintain this employment rate there is the need for the creation of 286,900 jobs per year. The labour migration is seen decreasing from the last two fiscal years, so there is the urgent need to address the issue for the creation of the domestic jobs. As the remittance is not sustainable income for the country, the vicious cycle of the remittance should be broken through the policy formulation. Youth targeted employment programs, marginalized community targeted program, skill development program etc. should be effectively launched from the government side. The Prime minister employment program (PMEP) should be effectively implemented. Agriculture, hydropower and tourism sectors should be prioritized in provenience and national levels for the generation of the employment.

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